

November 2015

La Pine Rural Fire Protection District/2579
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
La Pine Rural Fire Protection District/2579

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



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This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

La Pine Rural Fire Protection District -- #2579

November 2015

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Executive Summary

Milliman has prepared this report for La Pine Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to La Pine Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for La Pine Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.32%	12.44%	19.80%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.42%)	(5.42%)	(5.42%)	(5.42%)	(5.42%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.67%	13.79%	21.15%	9.45%	14.25%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.17%	14.29%	21.65%	9.88%	14.68%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

La Pine Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$2,947,385	\$1,359,401
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,000,338)	(1,017,299)
Allocated pooled OPSRP UAL	208,677	126,770
Side account	0	0
Net unfunded pension actuarial accrued liability	2,155,724	468,872
Combined valuation payroll	1,825,344	1,792,914
Net pension UAL as a percentage of payroll	118%	26%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.42%)	(5.30%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$14,509	\$24,816
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	58,383	7,263	10.57%	56,814	6,005
Total General Service		58,383	7,263		56,814	6,005
Tier 1 Police & Fire	21.53%	265,006	57,056	17.62%	266,988	47,043
Tier 2 Police & Fire	19.00%	571,448	108,575	15.63%	564,086	88,167
Total Police & Fire		836,454	165,631		831,074	135,210
Total		\$894,837	\$172,894		\$887,888	\$141,215
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			19.80%			16.27%
Aggregate (Default)			19.32%			15.90%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,017,299)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(5.19%)
B. Actual employer payroll	860,903
C. Payment to transition liability/(surplus)	(44,681)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(5.19%)
B. Actual employer payroll	852,226
C. Payment to transition liability/(surplus)	(44,230)
4. Supplemental payment to transition liability	0
5. Interest	(71,950)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,000,338)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,000,338)	(1,017,299)
2. Combined valuation payroll	1,825,344	1,792,914
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.42%)	(5.30%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,825,344	1,792,914
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lake County 4-H & Extension Service/2850
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lake County 4-H & Extension Service/2850

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lake County 4-H & Extension Service/2850

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lake County 4-H & Extension Service -- #2850

November 2015

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Executive Summary

Milliman has prepared this report for Lake County 4-H & Extension Service to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lake County 4-H & Extension Service.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lake County 4-H & Extension Service

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.11%)	(6.11%)	(6.11%)	(6.11%)	(6.11%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.71%	15.82%	20.74%	8.76%	13.56%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.21%	16.32%	21.24%	9.19%	13.99%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lake County 4-H & Extension Service

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$95,818	\$43,271
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(36,697)	(39,557)
Allocated pooled OPSRP UAL	6,784	4,035
Side account	0	0
Net unfunded pension actuarial accrued liability	65,905	7,749
Combined valuation payroll	59,341	57,070
Net pension UAL as a percentage of payroll	111%	14%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.11%)	(6.48%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$472	\$790
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$39,557)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(9.92%)
B. Actual employer payroll	27,510
C. Payment to transition liability/(surplus)	(2,729)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(9.92%)
B. Actual employer payroll	27,923
C. Payment to transition liability/(surplus)	(2,770)
4. Supplemental payment to transition liability	0
5. Interest	(2,639)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$36,697)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(36,697)	(39,557)
2. Combined valuation payroll	59,341	57,070
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(6.11%)	(6.48%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	59,341	57,070
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lake County Library District/2768
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lake County Library District/2768

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lake County Library District/2768

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lake County Library District -- #2768

November 2015

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Executive Summary

Milliman has prepared this report for Lake County Library District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lake County Library District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lake County Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.87%	0.87%	0.87%	0.87%	0.87%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.76%	23.76%	25.95%	13.97%	18.77%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	24.26%	24.26%	26.45%	14.40%	19.20%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lake County Library District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$175,663	\$100,504
Allocated pre-SLGRP pooled liability/(surplus)	(19,469)	(25,609)
Transition liability/(surplus)	9,570	10,322
Allocated pooled OPSRP UAL	12,437	9,372
Side account	0	0
Net unfunded pension actuarial accrued liability	178,201	94,589
Combined valuation payroll	108,790	132,555
Net pension UAL as a percentage of payroll	164%	71%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.87%	0.73%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$865	\$1,835
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$28,959	\$5,181	15.39%	\$27,922	\$4,297
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		28,959	5,181		27,922	4,297
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$28,959	\$5,181		\$27,922	\$4,297
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$10,322
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.97%
B. Actual employer payroll	80,029
C. Payment to transition liability/(surplus)	776
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.97%
B. Actual employer payroll	68,485
C. Payment to transition liability/(surplus)	664
4. Supplemental payment to transition liability	0
5. Interest	688
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$9,570

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	9,570	10,322
2. Combined valuation payroll	108,790	132,555
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.87%	0.73%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	108,790	132,555
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lake County/2000
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lake County/2000

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lake County/2000

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lake County -- #2000

November 2015

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Executive Summary

Milliman has prepared this report for Lake County to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lake County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lake County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.50%	15.02%	19.77%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.92%)	(2.92%)	(2.92%)	(2.92%)	(2.92%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.58%	17.10%	21.85%	10.18%	14.98%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	19.08%	17.60%	22.35%	10.61%	15.41%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lake County

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$5,560,298	\$2,648,153
Allocated pre-SLGRP pooled liability/(surplus)	(616,250)	(674,761)
Transition liability/(surplus)	(1,016,759)	(1,029,100)
Allocated pooled OPSRP UAL	393,672	246,952
Side account	0	0
Net unfunded pension actuarial accrued liability	4,320,961	1,191,244
Combined valuation payroll	3,443,547	3,492,650
Net pension UAL as a percentage of payroll	125%	34%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.92%)	(2.75%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$27,371	\$48,342
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$507,994	\$90,880	15.39%	\$495,751	\$76,296
Tier 2 General Service	12.44%	563,441	70,092	10.57%	591,554	62,527
Total General Service		1,071,435	160,972		1,087,305	138,823
Tier 1 Police & Fire	21.53%	147,287	31,711	17.62%	139,113	24,512
Tier 2 Police & Fire	19.00%	334,476	63,550	15.63%	357,470	55,873
Total Police & Fire		481,763	95,261		496,583	80,385
Total		\$1,553,198	\$256,233		\$1,583,888	\$219,208
Employer normal cost rate						
General Service			15.02%			12.77%
Police & Fire			19.77%			16.19%
Aggregate (Default)			16.50%			13.84%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,029,100)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.48%)
B. Actual employer payroll	1,672,130
C. Payment to transition liability/(surplus)	(41,469)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.48%)
B. Actual employer payroll	1,774,308
C. Payment to transition liability/(surplus)	(44,003)
4. Supplemental payment to transition liability	0
5. Interest	(73,131)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,016,759)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,016,759)	(1,029,100)
2. Combined valuation payroll	3,443,547	3,492,650
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.92%)	(2.75%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,443,547	3,492,650
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lane Community College/2904
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lane Community College/2904

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lane Community College/2904

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lane Community College -- #2904

November 2015

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Executive Summary

Milliman has prepared this report for Lane Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lane Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lane Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(11.39%)	(11.39%)	(11.39%)	(11.39%)	(11.39%)
Net pension contribution rate	12.06%	12.06%	17.24%	5.26%	10.06%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	12.56%	12.56%	17.74%	5.69%	10.49%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lane Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$82,535,376	\$39,476,370
Allocated pre-SLGRP pooled liability/(surplus)	9,222,820	10,301,706
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	5,843,553	3,681,340
Side account	58,882,997	59,154,138
Net unfunded pension actuarial accrued liability	38,718,752	(5,694,722)
Combined valuation payroll	51,114,963	52,065,390
Net pension UAL as a percentage of payroll	76%	(11%)
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(11.39%)	(10.62%)
Allocated pooled RHIA UAL	\$406,292	\$720,641
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$59,154,138	\$59,154,138
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(4,516,816)	(4,516,816)
5. Side account earnings during 2014		4,246,675	4,246,675
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$58,882,997	\$58,882,997

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$58,882,997	\$59,154,138
Side Account 2	0	0
Side Account 3	0	0
Total	\$58,882,997	\$59,154,138

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$58,882,997	\$59,154,138
2. Combined valuation payroll	51,114,963	52,065,390
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(11.39%)	(10.62%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lane Council of Governments/2522
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lane Council of Governments/2522

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lane Council of Governments/2522

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lane Council of Governments -- #2522

November 2015

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Executive Summary

Milliman has prepared this report for Lane Council of Governments to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lane Council of Governments.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lane Council of Governments

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.75%	15.75%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.64%)	(1.64%)	(1.64%)	(1.64%)	(1.64%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.88%	20.88%	25.21%	13.23%	18.03%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.38%	21.38%	25.71%	13.66%	18.46%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lane Council of Governments

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$15,610,665	\$5,893,161
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,607,255)	(1,624,827)
Allocated pooled OPSRP UAL	1,105,244	549,562
Side account	0	0
Net unfunded pension actuarial accrued liability	15,108,654	4,817,896
Combined valuation payroll	9,667,837	7,772,491
Net pension UAL as a percentage of payroll	156%	62%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.64%)	(1.95%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$76,846	\$107,580
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$2,647,775	\$473,687	15.39%	\$2,594,474	\$399,290
Tier 2 General Service	12.44%	1,715,313	213,385	10.57%	1,776,898	187,818
Total General Service		4,363,088	687,072		4,371,372	587,108
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$4,363,088	\$687,072		\$4,371,372	\$587,108
Employer normal cost rate						
General Service			15.75%			13.43%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.75%			13.43%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,624,827)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.53%)
B. Actual employer payroll	4,098,284
C. Payment to transition liability/(surplus)	(62,704)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.53%)
B. Actual employer payroll	4,605,970
C. Payment to transition liability/(surplus)	(70,471)
4. Supplemental payment to transition liability	0
5. Interest	(115,603)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,607,255)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,607,255)	(1,624,827)
2. Combined valuation payroll	9,667,837	7,772,491
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.64%)	(1.95%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	9,667,837	7,772,491
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lane Fire Authority/2883
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Lane Fire Authority/2883

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lane Fire Authority/2883

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lane Fire Authority -- #2883

November 2015

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Executive Summary

Milliman has prepared this report for Lane Fire Authority to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lane Fire Authority.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lane Fire Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	20.17%	17.89%	20.40%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.31%)	(2.31%)	(2.31%)	(2.31%)	(2.31%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	24.63%	22.35%	24.86%	12.56%	17.36%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	25.13%	22.85%	25.36%	12.99%	17.79%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lane Fire Authority

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$3,806,917	\$1,632,295
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(671,717)	(623,403)
Allocated pooled OPSRP UAL	269,532	152,218
Side account	0	0
Net unfunded pension actuarial accrued liability	3,404,732	1,161,110
Combined valuation payroll	2,357,661	2,152,834
Net pension UAL as a percentage of payroll	144%	54%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.31%)	(2.25%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$18,740	\$29,798
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$100,748	\$18,024	15.39%	\$63,271	\$9,737
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		100,748	18,024		63,271	9,737
Tier 1 Police & Fire	21.53%	556,024	119,712	17.62%	524,872	92,482
Tier 2 Police & Fire	19.00%	448,717	85,256	15.63%	414,014	64,710
Total Police & Fire		1,004,741	204,968		938,886	157,192
Total		\$1,105,489	\$222,992		\$1,002,157	\$166,929
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.40%			16.74%
Aggregate (Default)			20.17%			16.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$623,403)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	1,045,729
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	1,148,006
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	(48,314)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$671,717)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(671,717)	(623,403)
2. Combined valuation payroll	2,357,661	2,152,834
3. Regular amortization factor	12.353	12.856
4. Total transition liability/(surplus) rate	(2.31%)	(2.25%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,357,661	2,152,834
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lebanon Aquatic District/2849
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lebanon Aquatic District/2849

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lebanon Aquatic District/2849

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lebanon Aquatic District -- #2849

November 2015

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Executive Summary

Milliman has prepared this report for Lebanon Aquatic District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lebanon Aquatic District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lebanon Aquatic District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.44%	15.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.84%)	(1.84%)	(1.84%)	(1.84%)	(1.84%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.37%	20.37%	25.01%	13.03%	17.83%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	20.87%	20.87%	25.51%	13.46%	18.26%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lebanon Aquatic District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$285,072	\$140,449
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(32,957)	(42,418)
Allocated pooled OPSRP UAL	20,183	13,097
Side account	0	0
Net unfunded pension actuarial accrued liability	272,298	111,128
Combined valuation payroll	176,548	185,238
Net pension UAL as a percentage of payroll	154%	60%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.84%)	(2.14%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,403	\$2,564
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$1,101	\$197	15.39%	\$335	\$52
Tier 2 General Service	12.44%	894	111	10.57%	1,351	143
Total General Service		1,995	308		1,686	195
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$1,995	\$308		\$1,686	\$195
Employer normal cost rate						
General Service			15.44%			11.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.44%			11.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$42,418)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(5.96%)
B. Actual employer payroll	105,436
C. Payment to transition liability/(surplus)	(6,284)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(5.96%)
B. Actual employer payroll	93,082
C. Payment to transition liability/(surplus)	(5,547)
4. Supplemental payment to transition liability	0
5. Interest	(2,370)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$32,957)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(32,957)	(42,418)
2. Combined valuation payroll	176,548	185,238
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.84%)	(2.14%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	176,548	185,238
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lebanon Fire District/2705
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lebanon Fire District/2705

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lebanon Fire District/2705

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lebanon Fire District -- #2705

November 2015

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Executive Summary

Milliman has prepared this report for Lebanon Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lebanon Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lebanon Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	20.98%	17.89%	21.05%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.74%)	(3.74%)	(3.74%)	(3.74%)	(3.74%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	24.01%	20.92%	24.08%	11.13%	15.93%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	24.51%	21.42%	24.58%	11.56%	16.36%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lebanon Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$4,607,357	\$2,154,588
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,081,012)	(1,108,478)
Allocated pooled OPSRP UAL	326,204	200,924
Side account	0	0
Net unfunded pension actuarial accrued liability	3,852,549	1,247,034
Combined valuation payroll	2,853,381	2,841,686
Net pension UAL as a percentage of payroll	135%	44%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.74%)	(3.64%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$22,680	\$39,332
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$43,735	\$7,824	15.39%	\$42,272	\$6,506
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		43,735	7,824		42,272	6,506
Tier 1 Police & Fire	21.53%	1,485,694	319,870	17.62%	1,559,073	274,709
Tier 2 Police & Fire	19.00%	345,209	65,590	15.63%	331,760	51,854
Total Police & Fire		1,830,903	385,460		1,890,833	326,563
Total		\$1,874,638	\$393,284		\$1,933,105	\$333,069
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			21.05%			17.27%
Aggregate (Default)			20.98%			17.23%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,108,478)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(3.80%)
B. Actual employer payroll	1,395,440
C. Payment to transition liability/(surplus)	(53,027)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(3.80%)
B. Actual employer payroll	1,373,466
C. Payment to transition liability/(surplus)	(52,192)
4. Supplemental payment to transition liability	0
5. Interest	(77,753)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,081,012)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,081,012)	(1,108,478)
2. Combined valuation payroll	2,853,381	2,841,686
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(3.74%)	(3.64%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,853,381	2,841,686
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lincoln County/2043
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lincoln County/2043

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lincoln County/2043

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lincoln County -- #2043

November 2015

Secondary Employers

2051 Lincoln County Non-Part

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Executive Summary

Milliman has prepared this report for Lincoln County to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lincoln County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lincoln County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	20.49%	15.16%	20.49%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(9.63%)	(9.63%)	(9.63%)	(9.63%)	(9.63%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.86%	10.53%	15.86%	3.47%	8.27%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.36%	11.03%	16.36%	3.90%	8.70%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lincoln County

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$6,982,726	\$3,514,743
Allocated pre-SLGRP pooled liability/(surplus)	(773,898)	(895,572)
Transition liability/(surplus)	(4,214,898)	(4,307,416)
Allocated pooled OPSRP UAL	494,381	327,765
Side account	0	0
Net unfunded pension actuarial accrued liability	2,488,311	(1,360,480)
Combined valuation payroll	4,324,470	4,635,595
Net pension UAL as a percentage of payroll	58%	(29%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(9.63%)	(8.68%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$34,373	\$64,162
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	1,354,137	291,546	17.62%	1,556,753	274,300
Tier 2 Police & Fire	19.00%	940,214	178,641	15.63%	1,084,915	169,572
Total Police & Fire		2,294,351	470,187		2,641,668	443,872
Total		\$2,294,351	\$470,187		\$2,641,668	\$443,872
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.49%			16.80%
Aggregate (Default)			20.49%			16.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$4,307,416)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(9.10%)
B. Actual employer payroll	2,222,239
C. Payment to transition liability/(surplus)	(202,224)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(9.10%)
B. Actual employer payroll	2,125,869
C. Payment to transition liability/(surplus)	(193,454)
4. Supplemental payment to transition liability	0
5. Interest	(303,160)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$4,214,898)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(4,214,898)	(4,307,416)
2. Combined valuation payroll	4,324,470	4,635,595
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(9.63%)	(8.68%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	4,324,470	4,635,595
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Linn-Benton Community College/2910
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Linn-Benton Community College/2910

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Linn-Benton Community College/2910

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Linn-Benton Community College -- #2910

November 2015

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Executive Summary

Milliman has prepared this report for Linn-Benton Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Linn-Benton Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Linn-Benton Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(10.41%)	(10.41%)	(10.41%)	(10.41%)	(10.41%)
Net pension contribution rate	13.04%	13.04%	18.22%	6.24%	11.04%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	13.54%	13.54%	18.72%	6.67%	11.47%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Linn-Benton Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$40,742,902	\$19,059,275
Allocated pre-SLGRP pooled liability/(surplus)	4,552,768	4,973,685
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	2,884,621	1,777,359
Side account	26,587,264	26,723,734
Net unfunded pension actuarial accrued liability	21,593,027	(913,415)
Combined valuation payroll	25,232,476	25,137,281
Net pension UAL as a percentage of payroll	86%	(4%)
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(10.41%)	(9.93%)
Allocated pooled RHIA UAL	\$200,563	\$347,927
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$26,723,734	\$26,723,734
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(2,057,346)	(2,057,346)
5. Side account earnings during 2014		1,921,877	1,921,877
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$26,587,264	\$26,587,264

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$26,587,264	\$26,723,734
Side Account 2	0	0
Side Account 3	0	0
Total	\$26,587,264	\$26,723,734

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$26,587,264	\$26,723,734
2. Combined valuation payroll	25,232,476	25,137,281
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(10.41%)	(9.93%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Linn-Benton Housing Authority/2753
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Linn-Benton Housing Authority/2753

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Linn-Benton Housing Authority/2753

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Linn-Benton Housing Authority -- #2753

November 2015

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Executive Summary

Milliman has prepared this report for Linn-Benton Housing Authority to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Linn-Benton Housing Authority.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Linn-Benton Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.85%	13.85%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(8.30%)	(8.30%)	(8.30%)	(8.30%)	(8.30%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.32%	12.32%	18.55%	6.57%	11.37%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	12.82%	12.82%	19.05%	7.00%	11.80%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Linn-Benton Housing Authority

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,865,945	\$828,941
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(970,981)	(992,212)
Allocated pooled OPSRP UAL	132,110	77,302
Side account	0	0
Net unfunded pension actuarial accrued liability	1,027,074	(85,969)
Combined valuation payroll	1,155,598	1,093,291
Net pension UAL as a percentage of payroll	89%	(8%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.30%)	(8.48%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,185	\$15,132
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$176,760	\$31,622	15.39%	\$174,363	\$26,834
Tier 2 General Service	12.44%	507,357	63,115	10.57%	538,401	56,909
Total General Service		684,117	94,737		712,764	83,743
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$684,117	\$94,737		\$712,764	\$83,743
Employer normal cost rate						
General Service			13.85%			11.75%
Police & Fire			20.08%			16.51%
Aggregate (Default)			13.85%			11.75%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$992,212)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(8.48%)
B. Actual employer payroll	510,545
C. Payment to transition liability/(surplus)	(43,294)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(8.48%)
B. Actual employer payroll	563,396
C. Payment to transition liability/(surplus)	(47,776)
4. Supplemental payment to transition liability	0
5. Interest	(69,839)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$970,981)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(970,981)	(992,212)
2. Combined valuation payroll	1,155,598	1,093,291
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(8.30%)	(8.48%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,155,598	1,093,291
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Local Government Personnel Institute/2572
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Local Government Personnel Institute/2572

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Local Government Personnel Institute/2572

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Local Government Personnel Institute -- #2572

November 2015

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Executive Summary

Milliman has prepared this report for Local Government Personnel Institute to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Local Government Personnel Institute.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Local Government Personnel Institute

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	1.14%	1.14%	1.14%	1.14%	1.14%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.58%	18.58%	26.22%	14.24%	19.04%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	19.08%	19.08%	26.72%	14.67%	19.47%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Local Government Personnel Institute

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$284,003	\$418,977
Allocated pre-SLGRP pooled liability/(surplus)	(31,476)	(106,757)
Transition liability/(surplus)	20,309	21,285
Allocated pooled OPSRP UAL	20,108	39,071
Side account	0	0
Net unfunded pension actuarial accrued liability	292,944	372,576
Combined valuation payroll	175,886	552,589
Net pension UAL as a percentage of payroll	167%	67%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	1.14%	0.36%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,398	\$7,648
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$109,956	\$16,922
Tier 2 General Service	12.44%	61,302	7,626	10.57%	117,852	12,457
Total General Service		61,302	7,626		227,808	29,379
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$61,302	\$7,626		\$227,808	\$29,379
Employer normal cost rate						
General Service			12.44%			12.90%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			12.90%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$21,285
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.54%
B. Actual employer payroll	246,374
C. Payment to transition liability/(surplus)	1,330
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.54%
B. Actual employer payroll	204,771
C. Payment to transition liability/(surplus)	1,107
4. Supplemental payment to transition liability	0
5. Interest	1,461
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$20,309

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	20,309	21,285
2. Combined valuation payroll	175,886	552,589
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	1.14%	0.36%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	175,886	552,589
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lowell Rural Fire Protection District/2700
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lowell Rural Fire Protection District/2700

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lowell Rural Fire Protection District/2700

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lowell Rural Fire Protection District -- #2700

November 2015

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Executive Summary

Milliman has prepared this report for Lowell Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lowell Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lowell Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	21.53%	15.16%	21.53%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(36.78%)	(36.78%)	(36.78%)	(36.78%)	(36.78%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	0.50%	0.50%	0.50%	0.43%	0.43%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lowell Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$73,834	\$33,429
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(170,148)	(167,567)
Allocated pooled OPSRP UAL	5,227	3,117
Side account	0	0
Net unfunded pension actuarial accrued liability	(91,087)	(131,021)
Combined valuation payroll	45,726	44,089
Net pension UAL as a percentage of payroll	(199%)	(297%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(36.78%)	(35.51%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$363	\$610
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	45,726	9,845	17.62%	44,089	7,768
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		45,726	9,845		44,089	7,768
Total		\$45,726	\$9,845		\$44,089	\$7,768
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			21.53%			17.62%
Aggregate (Default)			21.53%			17.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$167,567)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(22.03%)
B. Actual employer payroll	21,337
C. Payment to transition liability/(surplus)	(4,701)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(22.03%)
B. Actual employer payroll	22,500
C. Payment to transition liability/(surplus)	(4,956)
4. Supplemental payment to transition liability	0
5. Interest	(12,238)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$170,148)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(170,148)	(167,567)
2. Combined valuation payroll	45,726	44,089
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(36.78%)	(35.51%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	45,726	44,089
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Lyons Fire District/2823
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Lyons Fire District/2823

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Lyons Fire District/2823

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lyons Fire District -- #2823

November 2015

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Executive Summary

Milliman has prepared this report for Lyons Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lyons Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lyons Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.94%	0.94%	0.94%	0.94%	0.94%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.76%	22.87%	27.79%	15.81%	20.61%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	24.26%	23.37%	28.29%	16.24%	21.04%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Lyons Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$66,682	\$30,923
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	3,943	4,022
Allocated pooled OPSRP UAL	4,721	2,884
Side account	0	0
Net unfunded pension actuarial accrued liability	75,346	37,829
Combined valuation payroll	41,297	40,785
Net pension UAL as a percentage of payroll	182%	93%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.94%	0.92%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$328	\$565
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$4,022
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.92%
B. Actual employer payroll	19,138
C. Payment to transition liability/(surplus)	176
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.92%
B. Actual employer payroll	20,298
C. Payment to transition liability/(surplus)	187
4. Supplemental payment to transition liability	0
5. Interest	284
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$3,943

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	3,943	4,022
2. Combined valuation payroll	41,297	40,785
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.94%	0.92%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	41,297	40,785
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Marion County Fire District #1/2580
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Marion County Fire District #1/2580

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Marion County Fire District #1/2580

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Marion County Fire District #1 -- #2580

November 2015

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Executive Summary

Milliman has prepared this report for Marion County Fire District #1 to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Marion County Fire District #1.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Marion County Fire District #1

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.49%	14.32%	19.90%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	1.82%	1.82%	1.82%	1.82%	1.82%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	28.08%	22.91%	28.49%	16.69%	21.49%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	28.58%	23.41%	28.99%	17.12%	21.92%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Marion County Fire District #1

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$5,789,268	\$2,743,036
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	661,149	674,260
Allocated pooled OPSRP UAL	409,884	255,800
Side account	0	0
Net unfunded pension actuarial accrued liability	6,860,301	3,673,096
Combined valuation payroll	3,585,350	3,617,791
Net pension UAL as a percentage of payroll	191%	102%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	1.82%	1.74%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$28,498	\$50,074
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$61,322	\$10,971	15.39%	\$56,082	\$8,631
Tier 2 General Service	12.44%	116,624	14,508	10.57%	110,297	11,658
Total General Service		177,946	25,479		166,379	20,289
Tier 1 Police & Fire	21.53%	795,932	171,364	17.62%	771,333	135,909
Tier 2 Police & Fire	19.00%	1,434,647	272,583	15.63%	1,235,372	193,089
Total Police & Fire		2,230,579	443,947		2,006,705	328,998
Total		\$2,408,525	\$469,426		\$2,173,084	\$349,287
Employer normal cost rate						
General Service			14.32%			12.19%
Police & Fire			19.90%			16.39%
Aggregate (Default)			19.49%			16.07%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$674,260
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	1.66%
B. Actual employer payroll	1,776,620
C. Payment to transition liability/(surplus)	29,492
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	1.66%
B. Actual employer payroll	1,877,845
C. Payment to transition liability/(surplus)	31,173
4. Supplemental payment to transition liability	0
5. Interest	47,554
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$661,149

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	661,149	674,260
2. Combined valuation payroll	3,585,350	3,617,791
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	1.82%	1.74%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,585,350	3,617,791
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Marion County Housing Authority/2598
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Marion County Housing Authority/2598

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Marion County Housing Authority/2598

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Marion County Housing Authority -- #2598

November 2015

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Executive Summary

Milliman has prepared this report for Marion County Housing Authority to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Marion County Housing Authority.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Marion County Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.00%	13.00%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(24.06%)	(24.06%)	(24.06%)	(24.06%)	(24.06%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	2.79%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	0.50%	0.50%	3.29%	0.43%	0.43%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Marion County Housing Authority

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,121,369	\$562,470
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,690,624)	(1,683,117)
Allocated pooled OPSRP UAL	79,394	52,453
Side account	0	0
Net unfunded pension actuarial accrued liability	(489,861)	(1,068,194)
Combined valuation payroll	694,475	741,842
Net pension UAL as a percentage of payroll	(71%)	(144%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(24.06%)	(21.20%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$5,520	\$10,268
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$23,668	\$4,234	15.39%	\$110,468	\$17,001
Tier 2 General Service	12.44%	207,644	25,831	10.57%	364,245	38,501
Total General Service		231,312	30,065		474,713	55,502
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$231,312	\$30,065		\$474,713	\$55,502
Employer normal cost rate						
General Service			13.00%			11.69%
Police & Fire			20.08%			16.51%
Aggregate (Default)			13.00%			11.69%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,683,117)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(14.54%)
B. Actual employer payroll	439,777
C. Payment to transition liability/(surplus)	(60,239)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(14.54%)
B. Actual employer payroll	403,622
C. Payment to transition liability/(surplus)	(53,853)
4. Supplemental payment to transition liability	0
5. Interest	(121,599)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,690,624)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,690,624)	(1,683,117)
2. Combined valuation payroll	694,475	741,842
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(24.06%)	(21.20%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	694,475	741,842
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Marion County/2009
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Marion County/2009

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Marion County/2009

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Marion County -- #2009

November 2015

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Executive Summary

Milliman has prepared this report for Marion County to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Marion County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Marion County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.59%	15.14%	20.06%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.69%)	(4.69%)	(4.69%)	(4.69%)	(4.69%)
Side account rate relief ²	(2.51%)	(2.51%)	(2.51%)	(2.51%)	(2.51%)
Net pension contribution rate	16.16%	14.71%	19.63%	7.67%	12.47%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.66%	15.21%	20.13%	8.10%	12.90%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Marion County

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$123,063,429	\$55,859,677
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(36,169,368)	(36,786,379)
Allocated pooled OPSRP UAL	8,712,963	5,209,153
Side account	19,366,035	19,433,930
Net unfunded pension actuarial accrued liability	76,240,989	4,848,521
Combined valuation payroll	76,214,381	73,673,336
Net pension UAL as a percentage of payroll	100%	7%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.69%)	(4.67%)
Side account rate relief	(2.51%)	(2.46%)
Allocated pooled RHIA UAL	\$605,797	\$1,019,718
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$14,102,129	\$2,522,871	15.39%	\$14,870,043	\$2,288,500
Tier 2 General Service	12.44%	14,360,823	1,786,486	10.57%	15,778,553	1,667,793
Total General Service		28,462,952	4,309,357		30,648,596	3,956,293
Tier 1 Police & Fire	21.53%	4,983,469	1,072,941	17.62%	5,246,677	924,464
Tier 2 Police & Fire	19.00%	6,937,592	1,318,142	15.63%	6,937,089	1,084,267
Total Police & Fire		11,921,061	2,391,083		12,183,766	2,008,731
Total		\$40,384,013	\$6,700,440		\$42,832,362	\$5,965,024
Employer normal cost rate						
General Service			15.14%			12.91%
Police & Fire			20.06%			16.49%
Aggregate (Default)			16.59%			13.93%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$36,786,379)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.35%)
B. Actual employer payroll	35,752,134
C. Payment to transition liability/(surplus)	(1,555,218)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.35%)
B. Actual employer payroll	38,236,810
C. Payment to transition liability/(surplus)	(1,663,302)
4. Supplemental payment to transition liability	0
5. Interest	(2,601,509)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$36,169,368)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(36,169,368)	(36,786,379)
2. Combined valuation payroll	76,214,381	73,673,336
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(4.69%)	(4.67%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$19,433,930	\$19,433,930
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,466,515)	(1,466,515)
5. Side account earnings during 2014		1,399,620	1,399,620
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$19,366,035	\$19,366,035

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$19,366,035	\$19,433,930
Side Account 2	0	0
Side Account 3	0	0
Total	\$19,366,035	\$19,433,930

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$19,366,035	\$19,433,930
2. Combined valuation payroll	76,214,381	73,673,336
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(2.51%)	(2.46%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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November 2015

McKenzie Fire And Rescue/2628
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
McKenzie Fire And Rescue/2628

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
McKenzie Fire And Rescue/2628

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

McKenzie Fire And Rescue -- #2628

November 2015

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Executive Summary

Milliman has prepared this report for McKenzie Fire And Rescue to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to McKenzie Fire And Rescue.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for McKenzie Fire And Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.00%	15.16%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(7.07%)	(7.07%)	(7.07%)	(7.07%)	(7.07%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.93%	13.09%	16.93%	6.03%	10.83%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.43%	13.59%	17.43%	6.46%	11.26%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

McKenzie Fire And Rescue

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$513,265	\$255,112
Allocated pre-SLGRP pooled liability/(surplus)	(56,885)	(65,004)
Transition liability/(surplus)	(227,344)	(231,580)
Allocated pooled OPSRP UAL	36,339	23,790
Side account	0	0
Net unfunded pension actuarial accrued liability	265,375	(17,682)
Combined valuation payroll	317,870	336,467
Net pension UAL as a percentage of payroll	83%	(5%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(7.07%)	(6.43%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,527	\$4,657
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$50,523	\$7,775
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		50,523	7,775
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	101,883	19,358	15.63%	113,654	17,764
Total Police & Fire		101,883	19,358		113,654	17,764
Total		\$101,883	\$19,358		\$164,177	\$25,539
Employer normal cost rate						
General Service			15.16%			15.39%
Police & Fire			19.00%			15.63%
Aggregate (Default)			19.00%			15.56%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$231,580)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(6.53%)
B. Actual employer payroll	178,010
C. Payment to transition liability/(surplus)	(11,624)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(6.53%)
B. Actual employer payroll	137,287
C. Payment to transition liability/(surplus)	(8,964)
4. Supplemental payment to transition liability	0
5. Interest	(16,352)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$227,344)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(227,344)	(231,580)
2. Combined valuation payroll	317,870	336,467
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(7.07%)	(6.43%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	317,870	336,467
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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November 2015

Medford Irrigation District/2592
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Medford Irrigation District/2592

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Medford Irrigation District/2592

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Medford Irrigation District -- #2592

November 2015

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Executive Summary

Milliman has prepared this report for Medford Irrigation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Medford Irrigation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Medford Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.51%)	(3.51%)	(3.51%)	(3.51%)	(3.51%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.15%	21.15%	23.34%	11.36%	16.16%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.65%	21.65%	23.84%	11.79%	16.59%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Medford Irrigation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$602,262	\$298,625
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(132,403)	(134,322)
Allocated pooled OPSRP UAL	42,641	27,848
Side account	0	0
Net unfunded pension actuarial accrued liability	512,500	192,151
Combined valuation payroll	372,987	393,856
Net pension UAL as a percentage of payroll	137%	49%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.51%)	(3.19%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,965	\$5,451
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$152,867	\$27,348	15.39%	\$148,419	\$22,842
Tier 2 General Service	12.44%	0	0	10.57%	43,964	4,647
Total General Service		152,867	27,348		192,383	27,489
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$152,867	\$27,348		\$192,383	\$27,489
Employer normal cost rate						
General Service			17.89%			14.29%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			14.29%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$134,322)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.73%)
B. Actual employer payroll	213,658
C. Payment to transition liability/(surplus)	(5,833)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.73%)
B. Actual employer payroll	205,440
C. Payment to transition liability/(surplus)	(5,609)
4. Supplemental payment to transition liability	0
5. Interest	(9,523)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$132,403)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(132,403)	(134,322)
2. Combined valuation payroll	372,987	393,856
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(3.51%)	(3.19%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	372,987	393,856
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Metro/2594
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Metro/2594

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Metro/2594

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Metro -- #2594

November 2015

Secondary Employers

2171	Portland Zoological Society
2807	Friends of the Zoo

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Executive Summary

Milliman has prepared this report for Metro to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Metro.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Metro

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.87%	14.87%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(1.17%)	(1.17%)	(1.17%)	(1.17%)	(1.17%)
Side account rate relief ²	(3.63%)	(3.63%)	(3.63%)	(3.63%)	(3.63%)
Net pension contribution rate	15.07%	15.07%	20.28%	8.30%	13.10%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	15.57%	15.57%	20.78%	8.73%	13.53%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Metro

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$88,113,844	\$39,636,035
Allocated pre-SLGRP pooled liability/(surplus)	(9,765,688)	(10,099,438)
Transition liability/(surplus)	(6,462,370)	(6,600,463)
Allocated pooled OPSRP UAL	6,238,512	3,696,229
Side account	20,043,703	20,189,300
Net unfunded pension actuarial accrued liability	58,080,595	6,443,063
Combined valuation payroll	54,569,762	52,275,972
Net pension UAL as a percentage of payroll	106%	12%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(1.17%)	(1.18%)
Side account rate relief	(3.63%)	(3.61%)
Allocated pooled RHIA UAL	\$433,753	\$723,555
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$12,121,373	\$2,168,514	15.39%	\$13,206,530	\$2,032,485
Tier 2 General Service	12.44%	15,085,576	1,876,646	10.57%	15,547,580	1,643,379
Total General Service		27,206,949	4,045,160		28,754,110	3,675,864
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$27,206,949	\$4,045,160		\$28,754,110	\$3,675,864
Employer normal cost rate						
General Service			14.87%			12.78%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.87%			12.78%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$6,600,463)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.12%)
B. Actual employer payroll	26,192,105
C. Payment to transition liability/(surplus)	(293,352)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.12%)
B. Actual employer payroll	27,638,537
C. Payment to transition liability/(surplus)	(309,552)
4. Supplemental payment to transition liability	0
5. Interest	(464,811)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$6,462,370)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(6,462,370)	(6,600,463)
2. Combined valuation payroll	54,569,762	52,275,972
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.17%)	(1.18%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$20,189,300	\$20,189,300
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,596,663)	(1,596,663)
5. Side account earnings during 2014		1,452,066	1,452,066
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$20,043,703	\$20,043,703

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$20,043,703	\$20,189,300
Side Account 2	0	0
Side Account 3	0	0
Total	\$20,043,703	\$20,189,300

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$20,043,703	\$20,189,300
2. Combined valuation payroll	54,569,762	52,275,972
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(3.63%)	(3.61%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Metropolitan Area Communications Commission/2663
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Metropolitan Area Communications Commission/2663

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Metropolitan Area Communications Commission/2663

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Metropolitan Area Communications Commission -- #2663

November 2015

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Executive Summary

Milliman has prepared this report for Metropolitan Area Communications Commission to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Metropolitan Area Communications Commission.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Metropolitan Area Communications Commission

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.01%	17.01%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(1.16%)	(1.16%)	(1.16%)	(1.16%)	(1.16%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.85%	20.85%	23.92%	11.94%	16.74%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.35%	21.35%	24.42%	12.37%	17.17%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Metropolitan Area Communications Commission

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,602,403	\$727,711
Allocated pre-SLGRP pooled liability/(surplus)	(177,595)	(185,424)
Transition liability/(surplus)	(116,253)	(138,575)
Allocated pooled OPSRP UAL	113,451	67,862
Side account	0	0
Net unfunded pension actuarial accrued liability	1,422,006	471,574
Combined valuation payroll	992,384	959,778
Net pension UAL as a percentage of payroll	143%	49%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(1.16%)	(1.35%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,888	\$13,284
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$415,991	\$74,421	15.39%	\$412,602	\$63,499
Tier 2 General Service	12.44%	79,669	9,911	10.57%	78,175	8,263
Total General Service		495,660	84,332		490,777	71,762
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$495,660	\$84,332		\$490,777	\$71,762
Employer normal cost rate						
General Service			17.01%			14.62%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.01%			14.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$138,575)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(3.19%)
B. Actual employer payroll	467,940
C. Payment to transition liability/(surplus)	(14,927)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(3.19%)
B. Actual employer payroll	493,927
C. Payment to transition liability/(surplus)	(15,757)
4. Supplemental payment to transition liability	0
5. Interest	(8,362)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$116,253)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(116,253)	(138,575)
2. Combined valuation payroll	992,384	959,778
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.16%)	(1.35%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	992,384	959,778
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Mid-Columbia Center For Living/2811
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Mid-Columbia Center For Living/2811

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Mid-Columbia Center For Living/2811

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mid-Columbia Center For Living -- #2811

November 2015

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Executive Summary

Milliman has prepared this report for Mid-Columbia Center For Living to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mid-Columbia Center For Living.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Mid-Columbia Center For Living

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.28%	14.28%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.21%	0.21%	0.21%	0.21%	0.21%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.49%	19.49%	25.29%	13.31%	18.11%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	19.99%	19.99%	25.79%	13.74%	18.54%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Mid-Columbia Center For Living

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$7,881,957	\$2,896,350
Allocated pre-SLGRP pooled liability/(surplus)	(873,560)	(738,003)
Transition liability/(surplus)	103,538	106,194
Allocated pooled OPSRP UAL	558,047	270,097
Side account	0	0
Net unfunded pension actuarial accrued liability	7,669,982	2,534,638
Combined valuation payroll	4,881,373	3,819,997
Net pension UAL as a percentage of payroll	157%	66%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.21%	0.26%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$38,800	\$52,873
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$502,127	\$89,831	15.39%	\$590,347	\$90,854
Tier 2 General Service	12.44%	982,275	122,195	10.57%	832,452	87,990
Total General Service		1,484,402	212,026		1,422,799	178,844
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$1,484,402	\$212,026		\$1,422,799	\$178,844
Employer normal cost rate						
General Service			14.28%			12.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.28%			12.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$106,194
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.24%
B. Actual employer payroll	1,992,055
C. Payment to transition liability/(surplus)	4,781
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.24%
B. Actual employer payroll	2,217,606
C. Payment to transition liability/(surplus)	5,322
4. Supplemental payment to transition liability	0
5. Interest	7,447
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$103,538

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	103,538	106,194
2. Combined valuation payroll	4,881,373	3,819,997
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.21%	0.26%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	4,881,373	3,819,997
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Mid-Willamette Valley Senior Service Agency/2657
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Mid-Willamette Valley Senior Service Agency/2657

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Mid-Willamette Valley Senior Service Agency/2657

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mid-Willamette Valley Senior Service Agency -- #2657

November 2015

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Executive Summary

Milliman has prepared this report for Mid-Willamette Valley Senior Service Agency to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mid-Willamette Valley Senior Service Agency.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Mid-Willamette Valley Senior Service Agency

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.70%	14.70%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.76%)	(4.76%)	(4.76%)	(4.76%)	(4.76%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.71%	16.71%	22.09%	10.11%	14.91%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.21%	17.21%	22.59%	10.54%	15.34%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Mid-Willamette Valley Senior Service Agency

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$15,669,293	\$5,956,326
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(4,673,366)	(4,788,614)
Allocated pooled OPSRP UAL	1,109,395	555,453
Side account	0	0
Net unfunded pension actuarial accrued liability	12,105,322	1,723,165
Combined valuation payroll	9,704,146	7,855,799
Net pension UAL as a percentage of payroll	125%	22%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.76%)	(5.70%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$77,134	\$108,733
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$1,660,291	\$297,026	15.39%	\$1,992,483	\$306,643
Tier 2 General Service	12.44%	2,339,047	290,977	10.57%	2,267,083	239,631
Total General Service		3,999,338	588,003		4,259,566	546,274
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$3,999,338	\$588,003		\$4,259,566	\$546,274
Employer normal cost rate						
General Service			14.70%			12.82%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.70%			12.82%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$4,788,614)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.97%)
B. Actual employer payroll	4,402,011
C. Payment to transition liability/(surplus)	(218,780)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.97%)
B. Actual employer payroll	4,680,151
C. Payment to transition liability/(surplus)	(232,603)
4. Supplemental payment to transition liability	0
5. Interest	(336,135)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$4,673,366)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(4,673,366)	(4,788,614)
2. Combined valuation payroll	9,704,146	7,855,799
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(4.76%)	(5.70%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	9,704,146	7,855,799
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Mill City Rural Fire Protection District/2853
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Mill City Rural Fire Protection District/2853

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Mill City Rural Fire Protection District/2853

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mill City Rural Fire Protection District -- #2853

November 2015

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Executive Summary

Milliman has prepared this report for Mill City Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mill City Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Mill City Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.00%	15.16%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(10.17%)	(10.17%)	(10.17%)	(10.17%)	(10.17%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.60%	11.76%	15.60%	4.70%	9.50%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.10%	12.26%	16.10%	5.13%	9.93%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Mill City Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$86,272	\$39,591
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(54,971)	(56,143)
Allocated pooled OPSRP UAL	6,108	3,692
Side account	0	0
Net unfunded pension actuarial accrued liability	37,409	(12,860)
Combined valuation payroll	53,429	52,216
Net pension UAL as a percentage of payroll	70%	(25%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.17%)	(10.05%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$425	\$723
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	53,429	10,152	15.63%	52,216	8,161
Total Police & Fire		53,429	10,152		52,216	8,161
Total		\$53,429	\$10,152		\$52,216	\$8,161
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.00%			15.63%
Aggregate (Default)			19.00%			15.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$56,143)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(10.05%)
B. Actual employer payroll	24,190
C. Payment to transition liability/(surplus)	(2,431)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(10.05%)
B. Actual employer payroll	26,811
C. Payment to transition liability/(surplus)	(2,695)
4. Supplemental payment to transition liability	0
5. Interest	(3,954)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$54,971)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(54,971)	(56,143)
2. Combined valuation payroll	53,429	52,216
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(10.17%)	(10.05%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	53,429	52,216
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Mist-Birkenfeld Rural Fire Protection District/2752
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Mist-Birkenfeld Rural Fire Protection District/2752

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Mist-Birkenfeld Rural Fire Protection District/2752

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mist-Birkenfeld Rural Fire Protection District -- #2752

November 2015

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Executive Summary

Milliman has prepared this report for Mist-Birkenfeld Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mist-Birkenfeld Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Mist-Birkenfeld Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.47%	12.44%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(14.60%)	(14.60%)	(14.60%)	(14.60%)	(14.60%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	8.64%	4.61%	11.17%	0.27%	5.07%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	9.14%	5.11%	11.67%	0.70%	5.50%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Mist-Birkenfeld Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$202,768	\$35,484
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(185,478)	(181,443)
Allocated pooled OPSRP UAL	14,356	3,309
Side account	0	0
Net unfunded pension actuarial accrued liability	31,646	(142,650)
Combined valuation payroll	125,576	46,800
Net pension UAL as a percentage of payroll	25%	(305%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(14.60%)	(36.22%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$998	\$648
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	28,010	3,484	10.57%	29,115	3,077
Total General Service		28,010	3,484		29,115	3,077
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	44,629	8,480	15.63%	17,685	2,764
Total Police & Fire		44,629	8,480		17,685	2,764
Total		\$72,639	\$11,964		\$46,800	\$5,841
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			19.00%			15.63%
Aggregate (Default)			16.47%			12.48%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$181,443)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(8.23%)
B. Actual employer payroll	56,263
C. Payment to transition liability/(surplus)	(4,630)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(8.23%)
B. Actual employer payroll	56,809
C. Payment to transition liability/(surplus)	(4,676)
4. Supplemental payment to transition liability	0
5. Interest	(13,341)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$185,478)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(185,478)	(181,443)
2. Combined valuation payroll	125,576	46,800
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(14.60%)	(36.22%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	125,576	46,800
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Mohawk Valley Rural Fire District/2758
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Mohawk Valley Rural Fire District/2758

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Mohawk Valley Rural Fire District/2758

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mohawk Valley Rural Fire District -- #2758

November 2015

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Executive Summary

Milliman has prepared this report for Mohawk Valley Rural Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mohawk Valley Rural Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Mohawk Valley Rural Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(9.04%)	(9.04%)	(9.04%)	(9.04%)	(9.04%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.01%	11.12%	16.04%	4.06%	8.86%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	12.51%	11.62%	16.54%	4.49%	9.29%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Mohawk Valley Rural Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$147,490	\$60,174
Allocated pre-SLGRP pooled liability/(surplus)	(16,346)	(15,333)
Transition liability/(surplus)	(83,562)	(84,042)
Allocated pooled OPSRP UAL	10,442	5,611
Side account	0	0
Net unfunded pension actuarial accrued liability	58,024	(33,590)
Combined valuation payroll	91,342	79,363
Net pension UAL as a percentage of payroll	64%	(42%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(9.04%)	(9.89%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$726	\$1,098
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$84,042)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(7.64%)
B. Actual employer payroll	40,255
C. Payment to transition liability/(surplus)	(3,075)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(7.64%)
B. Actual employer payroll	44,692
C. Payment to transition liability/(surplus)	(3,415)
4. Supplemental payment to transition liability	0
5. Interest	(6,010)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$83,562)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(83,562)	(84,042)
2. Combined valuation payroll	91,342	79,363
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(9.04%)	(9.89%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	91,342	79,363
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Molalla Rural Fire Protection District #73/2568
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Molalla Rural Fire Protection District #73/2568

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Molalla Rural Fire Protection District #73/2568

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Molalla Rural Fire Protection District #73 -- #2568

November 2015

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Executive Summary

Milliman has prepared this report for Molalla Rural Fire Protection District #73 to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Molalla Rural Fire Protection District #73.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Molalla Rural Fire Protection District #73

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.46%	15.16%	19.46%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	2.70%	2.70%	2.70%	2.70%	2.70%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	28.93%	24.63%	28.93%	17.57%	22.37%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	29.43%	25.13%	29.43%	18.00%	22.80%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Molalla Rural Fire Protection District #73

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,428,766	\$402,798
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	242,092	244,311
Allocated pooled OPSRP UAL	101,158	37,563
Side account	0	0
Net unfunded pension actuarial accrued liability	1,772,016	684,672
Combined valuation payroll	884,849	531,251
Net pension UAL as a percentage of payroll	200%	129%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	2.70%	4.30%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,033	\$7,353
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	94,208	20,283	17.62%	88,172	15,536
Tier 2 Police & Fire	19.00%	429,319	81,571	15.63%	443,079	69,253
Total Police & Fire		523,527	101,854		531,251	84,789
Total		\$523,527	\$101,854		\$531,251	\$84,789
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.46%			15.96%
Aggregate (Default)			19.46%			15.96%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$244,311
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	3.20%
B. Actual employer payroll	276,388
C. Payment to transition liability/(surplus)	8,844
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	3.20%
B. Actual employer payroll	337,071
C. Payment to transition liability/(surplus)	10,788
4. Supplemental payment to transition liability	0
5. Interest	17,413
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$242,092

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	242,092	244,311
2. Combined valuation payroll	884,849	531,251
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	2.70%	4.30%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	884,849	531,251
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Monroe Fire Department/2555
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Monroe Fire Department/2555

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Monroe Fire Department/2555

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Monroe Fire Department -- #2555

November 2015

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Executive Summary

Milliman has prepared this report for Monroe Fire Department to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Monroe Fire Department.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Monroe Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.00%	15.16%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(9.12%)	(9.12%)	(9.12%)	(9.12%)	(9.12%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.65%	12.81%	16.65%	5.75%	10.55%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.15%	13.31%	17.15%	6.18%	10.98%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Monroe Fire Department

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$101,968	\$46,756
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(58,284)	(59,478)
Allocated pooled OPSRP UAL	7,219	4,360
Side account	0	0
Net unfunded pension actuarial accrued liability	50,903	(8,362)
Combined valuation payroll	63,150	61,666
Net pension UAL as a percentage of payroll	81%	(14%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.12%)	(9.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$502	\$854
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	63,150	11,999	15.63%	61,666	9,638
Total Police & Fire		63,150	11,999		61,666	9,638
Total		\$63,150	\$11,999		\$61,666	\$9,638
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.00%			15.63%
Aggregate (Default)			19.00%			15.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$59,478)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(8.91%)
B. Actual employer payroll	29,780
C. Payment to transition liability/(surplus)	(2,653)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(8.91%)
B. Actual employer payroll	30,674
C. Payment to transition liability/(surplus)	(2,733)
4. Supplemental payment to transition liability	0
5. Interest	(4,192)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$58,284)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(58,284)	(59,478)
2. Combined valuation payroll	63,150	61,666
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(9.12%)	(9.01%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	63,150	61,666
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Mt Hood Community College/2905
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Mt Hood Community College/2905

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Mt Hood Community College/2905

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mt Hood Community College -- #2905

November 2015

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Executive Summary

Milliman has prepared this report for Mt Hood Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mt Hood Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Mt Hood Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(16.30%)	(16.30%)	(16.30%)	(16.30%)	(16.30%)
Net pension contribution rate	7.15%	7.15%	12.33%	0.35%	5.15%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	7.65%	7.65%	12.83%	0.78%	5.58%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Mt Hood Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$57,957,548	\$28,213,398
Allocated pre-SLGRP pooled liability/(surplus)	6,476,399	7,362,534
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	4,103,428	2,631,020
Side account	59,200,933	59,391,128
Net unfunded pension actuarial accrued liability	9,336,442	(21,184,176)
Combined valuation payroll	35,893,674	37,210,655
Net pension UAL as a percentage of payroll	26%	(57%)
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(16.30%)	(14.91%)
Allocated pooled RHIA UAL	\$285,304	\$515,035
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$59,391,128	\$59,391,128
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(4,459,780)	(4,459,780)
5. Side account earnings during 2014		4,270,585	4,270,585
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$59,200,933	\$59,200,933

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$59,200,933	\$59,391,128
Side Account 2	0	0
Side Account 3	0	0
Total	\$59,200,933	\$59,391,128

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$59,200,933	\$59,391,128
2. Combined valuation payroll	35,893,674	37,210,655
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(16.30%)	(14.91%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Mulino Water District #23/2778
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Mulino Water District #23/2778

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Mulino Water District #23/2778

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mulino Water District #23 -- #2778

November 2015

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Executive Summary

Milliman has prepared this report for Mulino Water District #23 to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mulino Water District #23.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Mulino Water District #23

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.19%	0.19%	0.19%	0.19%	0.19%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.63%	17.63%	25.27%	13.29%	18.09%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.13%	18.13%	25.77%	13.72%	18.52%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Mulino Water District #23

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$100,300	\$46,068
Allocated pre-SLGRP pooled liability/(surplus)	(11,116)	(11,738)
Transition liability/(surplus)	1,212	1,220
Allocated pooled OPSRP UAL	7,101	4,296
Side account	0	0
Net unfunded pension actuarial accrued liability	97,497	39,846
Combined valuation payroll	62,117	60,759
Net pension UAL as a percentage of payroll	157%	66%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.19%	0.19%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$494	\$841
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	62,117	7,727	10.57%	60,759	6,422
Total General Service		62,117	7,727		60,759	6,422
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$62,117	\$7,727		\$60,759	\$6,422
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$1,220
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.16%
B. Actual employer payroll	29,105
C. Payment to transition liability/(surplus)	47
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.16%
B. Actual employer payroll	30,354
C. Payment to transition liability/(surplus)	48
4. Supplemental payment to transition liability	0
5. Interest	87
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$1,212

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	1,212	1,220
2. Combined valuation payroll	62,117	60,759
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.19%	0.19%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	62,117	60,759
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Multnomah County Rural Fire Protection District #14/2806
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015

Multnomah County Rural Fire Protection District #14/2806

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Multnomah County Rural Fire Protection District #14/2806

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Multnomah County Rural Fire Protection District #14 -- #2806

November 2015

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Executive Summary

Milliman has prepared this report for Multnomah County Rural Fire Protection District #14 to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Multnomah County Rural Fire Protection District #14.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Multnomah County Rural Fire Protection District #14

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.32%	17.32%	24.96%	12.98%	17.78%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.82%	17.82%	25.46%	13.41%	18.21%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Multnomah County Rural Fire Protection District #14

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$71,142	\$35,559
Allocated pre-SLGRP pooled liability/(surplus)	(7,885)	(9,061)
Transition liability/(surplus)	(530)	(539)
Allocated pooled OPSRP UAL	5,037	3,316
Side account	0	0
Net unfunded pension actuarial accrued liability	67,764	29,275
Combined valuation payroll	44,059	46,899
Net pension UAL as a percentage of payroll	154%	62%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(0.12%)	(0.11%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$350	\$649
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	44,059	5,481	10.57%	46,899	4,957
Total General Service		44,059	5,481		46,899	4,957
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$44,059	\$5,481		\$46,899	\$4,957
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$539)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.11%)
B. Actual employer payroll	22,762
C. Payment to transition liability/(surplus)	(25)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.11%)
B. Actual employer payroll	19,537
C. Payment to transition liability/(surplus)	(22)
4. Supplemental payment to transition liability	0
5. Interest	(38)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$530)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(530)	(539)
2. Combined valuation payroll	44,059	46,899
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.12%)	(0.11%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	44,059	46,899
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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November 2015

Multnomah County/2038
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Multnomah County/2038

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Multnomah County/2038

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Multnomah County -- #2038

November 2015

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for Multnomah County to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Multnomah County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Multnomah County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.49%	14.99%	20.43%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.91%)	(2.91%)	(2.91%)	(2.91%)	(2.91%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.58%	17.08%	22.52%	10.19%	14.99%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	19.08%	17.58%	23.02%	10.62%	15.42%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Multnomah County

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$488,703,619	\$215,433,204
Allocated pre-SLGRP pooled liability/(surplus)	(54,163,190)	(54,893,342)
Transition liability/(surplus)	(89,245,776)	(91,456,554)
Allocated pooled OPSRP UAL	34,600,503	20,090,066
Side account	0	0
Net unfunded pension actuarial accrued liability	379,895,156	89,173,374
Combined valuation payroll	302,658,914	284,134,886
Net pension UAL as a percentage of payroll	126%	31%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.91%)	(3.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,405,711	\$3,932,731
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$58,693,660	\$10,500,296	15.39%	\$62,176,236	\$9,568,923
Tier 2 General Service	12.44%	66,554,456	8,279,374	10.57%	66,628,334	7,042,615
Total General Service		125,248,116	18,779,670		128,804,570	16,611,538
Tier 1 Police & Fire	21.53%	26,868,635	5,784,817	17.62%	28,526,410	5,026,353
Tier 2 Police & Fire	19.00%	20,701,388	3,933,264	15.63%	20,716,337	3,237,963
Total Police & Fire		47,570,023	9,718,081		49,242,747	8,264,316
Total		\$172,818,139	\$28,497,751		\$178,047,317	\$24,875,854
Employer normal cost rate						
General Service			14.99%			12.90%
Police & Fire			20.43%			16.78%
Aggregate (Default)			16.49%			13.97%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$91,456,554)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.96%)
B. Actual employer payroll	142,209,096
C. Payment to transition liability/(surplus)	(4,209,389)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.96%)
B. Actual employer payroll	149,339,808
C. Payment to transition liability/(surplus)	(4,420,459)
4. Supplemental payment to transition liability	0
5. Interest	(6,419,070)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$89,245,776)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(89,245,776)	(91,456,554)
2. Combined valuation payroll	302,658,914	284,134,886
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.91%)	(3.01%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	302,658,914	284,134,886
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Multnomah Drainage/2508
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Multnomah Drainage/2508

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Multnomah Drainage/2508

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Multnomah Drainage -- #2508

November 2015

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Executive Summary

Milliman has prepared this report for Multnomah Drainage to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Multnomah Drainage.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Multnomah Drainage

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.85%	13.85%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	2.25%	2.25%	2.25%	2.25%	2.25%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.10%	21.10%	27.33%	15.35%	20.15%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.60%	21.60%	27.83%	15.78%	20.58%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Multnomah Drainage

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,984,627	\$762,526
Allocated pre-SLGRP pooled liability/(surplus)	(219,957)	(194,295)
Transition liability/(surplus)	280,081	304,141
Allocated pooled OPSRP UAL	140,513	71,109
Side account	0	0
Net unfunded pension actuarial accrued liability	2,185,264	943,481
Combined valuation payroll	1,229,099	1,005,695
Net pension UAL as a percentage of payroll	178%	94%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	2.25%	2.83%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,770	\$13,920
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$63,388	\$11,340	15.39%	\$60,141	\$9,256
Tier 2 General Service	12.44%	182,420	22,693	10.57%	147,734	15,615
Total General Service		245,808	34,033		207,875	24,871
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$245,808	\$34,033		\$207,875	\$24,871
Employer normal cost rate						
General Service			13.85%			11.96%
Police & Fire			20.08%			16.51%
Aggregate (Default)			13.85%			11.96%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$304,141
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	3.68%
B. Actual employer payroll	588,226
C. Payment to transition liability/(surplus)	21,647
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	3.68%
B. Actual employer payroll	613,000
C. Payment to transition liability/(surplus)	22,558
4. Supplemental payment to transition liability	0
5. Interest	20,145
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$280,081

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	280,081	304,141
2. Combined valuation payroll	1,229,099	1,005,695
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	2.25%	2.83%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,229,099	1,005,695
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Nehalem Bay Fire & Rescue/2869
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Nehalem Bay Fire & Rescue/2869

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Nehalem Bay Fire & Rescue/2869

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Nehalem Bay Fire & Rescue -- #2869

November 2015

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Executive Summary

Milliman has prepared this report for Nehalem Bay Fire & Rescue to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nehalem Bay Fire & Rescue.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Nehalem Bay Fire & Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	21.51%	15.16%	21.51%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	28.28%	21.93%	28.28%	14.87%	19.67%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	28.78%	22.43%	28.78%	15.30%	20.10%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Nehalem Bay Fire & Rescue

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$225,013	\$87,867
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	15,931	8,194
Side account	0	0
Net unfunded pension actuarial accrued liability	240,944	96,061
Combined valuation payroll	139,353	115,888
Net pension UAL as a percentage of payroll	173%	83%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,108	\$1,604
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	73,941	15,919	17.62%	80,260	14,142
Tier 2 Police & Fire	19.00%	462	88	15.63%	0	0
Total Police & Fire		74,403	16,007		80,260	14,142
Total		\$74,403	\$16,007		\$80,260	\$14,142
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			21.51%			17.62%
Aggregate (Default)			21.51%			17.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	139,353	115,888
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	139,353	115,888
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Nehalem Bay Health District/2780
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Nehalem Bay Health District/2780

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Nehalem Bay Health District/2780

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Nehalem Bay Health District -- #2780

November 2015

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Executive Summary

Milliman has prepared this report for Nehalem Bay Health District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nehalem Bay Health District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Nehalem Bay Health District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(3.29%)	(3.29%)	(3.29%)	(3.29%)	(3.29%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.76%	16.87%	21.79%	9.81%	14.61%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.26%	17.37%	22.29%	10.24%	15.04%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Nehalem Bay Health District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$75,234	\$28,046
Allocated pre-SLGRP pooled liability/(surplus)	(8,338)	(7,146)
Transition liability/(surplus)	(15,488)	(15,059)
Allocated pooled OPSRP UAL	5,327	2,615
Side account	0	0
Net unfunded pension actuarial accrued liability	56,735	8,456
Combined valuation payroll	46,593	36,990
Net pension UAL as a percentage of payroll	122%	23%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(3.29%)	(3.80%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$370	\$512
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$15,059)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.55%)
B. Actual employer payroll	18,464
C. Payment to transition liability/(surplus)	(286)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.55%)
B. Actual employer payroll	25,741
C. Payment to transition liability/(surplus)	(399)
4. Supplemental payment to transition liability	0
5. Interest	(1,114)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$15,488)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(15,488)	(15,059)
2. Combined valuation payroll	46,593	36,990
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(3.29%)	(3.80%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	46,593	36,990
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Nesika Beach-Ophir Water District/2858
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Nesika Beach-Ophir Water District/2858

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Nesika Beach-Ophir Water District/2858

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Nesika Beach-Ophir Water District -- #2858

November 2015

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Executive Summary

Milliman has prepared this report for Nesika Beach-Ophir Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nesika Beach-Ophir Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Nesika Beach-Ophir Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.47%	16.47%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.44%)	(3.44%)	(3.44%)	(3.44%)	(3.44%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.80%	19.80%	23.41%	11.43%	16.23%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	20.30%	20.30%	23.91%	11.86%	16.66%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Nesika Beach-Ophir Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$149,119	\$57,198
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(32,164)	(33,614)
Allocated pooled OPSRP UAL	10,558	5,334
Side account	0	0
Net unfunded pension actuarial accrued liability	127,513	28,918
Combined valuation payroll	92,351	75,438
Net pension UAL as a percentage of payroll	138%	38%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.44%)	(4.16%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$734	\$1,044
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$44,162	\$7,901	15.39%	\$44,187	\$6,800
Tier 2 General Service	12.44%	15,624	1,944	10.57%	1,251	132
Total General Service		59,786	9,845		45,438	6,932
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$59,786	\$9,845		\$45,438	\$6,932
Employer normal cost rate						
General Service			16.47%			15.26%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.47%			15.26%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$33,614)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.28%)
B. Actual employer payroll	44,052
C. Payment to transition liability/(surplus)	(1,885)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.28%)
B. Actual employer payroll	43,872
C. Payment to transition liability/(surplus)	(1,878)
4. Supplemental payment to transition liability	0
5. Interest	(2,313)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$32,164)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(32,164)	(33,614)
2. Combined valuation payroll	92,351	75,438
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(3.44%)	(4.16%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	92,351	75,438
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Neskowin Water District/2716
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Neskowin Water District/2716

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Neskowin Water District/2716

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Neskowin Water District -- #2716

November 2015

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Executive Summary

Milliman has prepared this report for Neskowin Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Neskowin Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Neskowin Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(0.02%)	(0.02%)	(0.02%)	(0.02%)	(0.02%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.87%	22.87%	25.06%	13.08%	17.88%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.37%	23.37%	25.56%	13.51%	18.31%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Neskowin Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$330,210	\$135,887
Allocated pre-SLGRP pooled liability/(surplus)	(36,597)	(34,625)
Transition liability/(surplus)	(465)	(471)
Allocated pooled OPSRP UAL	23,379	12,672
Side account	0	0
Net unfunded pension actuarial accrued liability	316,527	113,463
Combined valuation payroll	204,502	179,222
Net pension UAL as a percentage of payroll	155%	63%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(0.02%)	(0.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,626	\$2,481
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$91,191	\$16,314	15.39%	\$87,886	\$13,526
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		91,191	16,314		87,886	13,526
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$91,191	\$16,314		\$87,886	\$13,526
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$471)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.02%)
B. Actual employer payroll	91,863
C. Payment to transition liability/(surplus)	(18)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.02%)
B. Actual employer payroll	99,008
C. Payment to transition liability/(surplus)	(21)
4. Supplemental payment to transition liability	0
5. Interest	(33)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$465)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(465)	(471)
2. Combined valuation payroll	204,502	179,222
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.02%)	(0.02%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	204,502	179,222
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Nestucca Rural Fire District/2674
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Nestucca Rural Fire District/2674

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Nestucca Rural Fire District/2674

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Nestucca Rural Fire District -- #2674

November 2015

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Executive Summary

Milliman has prepared this report for Nestucca Rural Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nestucca Rural Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Nestucca Rural Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.02%	15.16%	19.02%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(7.69%)	(7.69%)	(7.69%)	(7.69%)	(7.69%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.33%	12.47%	16.33%	5.41%	10.21%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.83%	12.97%	16.83%	5.84%	10.64%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Nestucca Rural Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$375,906	\$171,043
Allocated pre-SLGRP pooled liability/(surplus)	(41,662)	(43,583)
Transition liability/(surplus)	(181,095)	(183,532)
Allocated pooled OPSRP UAL	26,614	15,951
Side account	0	0
Net unfunded pension actuarial accrued liability	179,763	(40,121)
Combined valuation payroll	232,802	225,589
Net pension UAL as a percentage of payroll	77%	(18%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(7.69%)	(7.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,850	\$3,122
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	370	80	17.62%	0	0
Tier 2 Police & Fire	19.00%	58,049	11,029	15.63%	54,584	8,531
Total Police & Fire		58,419	11,109		54,584	8,531
Total		\$58,419	\$11,109		\$54,584	\$8,531
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.02%			15.63%
Aggregate (Default)			19.02%			15.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$183,532)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(7.01%)
B. Actual employer payroll	105,529
C. Payment to transition liability/(surplus)	(7,398)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(7.01%)
B. Actual employer payroll	115,041
C. Payment to transition liability/(surplus)	(8,064)
4. Supplemental payment to transition liability	0
5. Interest	(13,025)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$181,095)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(181,095)	(183,532)
2. Combined valuation payroll	232,802	225,589
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(7.69%)	(7.60%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	232,802	225,589
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Netarts Water District/2818
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Netarts Water District/2818

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Netarts Water District/2818

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Netarts Water District -- #2818

November 2015

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Executive Summary

Milliman has prepared this report for Netarts Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Netarts Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Netarts Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.42%)	(2.42%)	(2.42%)	(2.42%)	(2.42%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.02%	15.02%	22.66%	10.68%	15.48%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	15.52%	15.52%	23.16%	11.11%	15.91%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Netarts Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$179,293	\$107,616
Allocated pre-SLGRP pooled liability/(surplus)	(19,871)	(27,421)
Transition liability/(surplus)	(27,140)	(27,349)
Allocated pooled OPSRP UAL	12,694	10,036
Side account	0	0
Net unfunded pension actuarial accrued liability	144,976	62,882
Combined valuation payroll	111,038	141,935
Net pension UAL as a percentage of payroll	131%	44%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.42%)	(1.80%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$883	\$1,965
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	93,539	11,636	10.57%	111,826	11,820
Total General Service		93,539	11,636		111,826	11,820
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$93,539	\$11,636		\$111,826	\$11,820
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$27,349)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.03%)
B. Actual employer payroll	56,468
C. Payment to transition liability/(surplus)	(1,146)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.03%)
B. Actual employer payroll	49,986
C. Payment to transition liability/(surplus)	(1,015)
4. Supplemental payment to transition liability	0
5. Interest	(1,952)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$27,140)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(27,140)	(27,349)
2. Combined valuation payroll	111,038	141,935
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.42%)	(1.80%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	111,038	141,935
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Netarts-Oceanside Rural Fire Protection District/2830
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Netarts-Oceanside Rural Fire Protection District/2830

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Netarts-Oceanside Rural Fire Protection District/2830

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Netarts-Oceanside Rural Fire Protection District -- #2830

November 2015

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Executive Summary

Milliman has prepared this report for Netarts-Oceanside Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Netarts-Oceanside Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Netarts-Oceanside Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.00%	15.16%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(0.55%)	(0.55%)	(0.55%)	(0.55%)	(0.55%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.45%	19.61%	23.45%	12.55%	17.35%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.95%	20.11%	23.95%	12.98%	17.78%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Netarts-Oceanside Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$178,970	\$80,712
Allocated pre-SLGRP pooled liability/(surplus)	(19,835)	(20,566)
Transition liability/(surplus)	(6,216)	(6,215)
Allocated pooled OPSRP UAL	12,671	7,527
Side account	0	0
Net unfunded pension actuarial accrued liability	165,590	61,458
Combined valuation payroll	110,838	106,451
Net pension UAL as a percentage of payroll	149%	58%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(0.55%)	(0.55%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$881	\$1,473
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	65,883	12,518	15.63%	63,170	9,873
Total Police & Fire		65,883	12,518		63,170	9,873
Total		\$65,883	\$12,518		\$63,170	\$9,873
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.00%			15.63%
Aggregate (Default)			19.00%			15.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$6,215)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.37%)
B. Actual employer payroll	67,260
C. Payment to transition liability/(surplus)	(249)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.37%)
B. Actual employer payroll	53,435
C. Payment to transition liability/(surplus)	(197)
4. Supplemental payment to transition liability	0
5. Interest	(447)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$6,216)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(6,216)	(6,215)
2. Combined valuation payroll	110,838	106,451
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.55%)	(0.55%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	110,838	106,451
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Netarts-Oceanside Sanitary District/2604
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Netarts-Oceanside Sanitary District/2604

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Netarts-Oceanside Sanitary District/2604

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Netarts-Oceanside Sanitary District -- #2604

November 2015

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Executive Summary

Milliman has prepared this report for Netarts-Oceanside Sanitary District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Netarts-Oceanside Sanitary District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Netarts-Oceanside Sanitary District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.12%	14.12%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(8.72%)	(8.72%)	(8.72%)	(8.72%)	(8.72%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.17%	12.17%	18.13%	6.15%	10.95%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	12.67%	12.67%	18.63%	6.58%	11.38%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Netarts-Oceanside Sanitary District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$554,659	\$244,857
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(303,025)	(311,299)
Allocated pooled OPSRP UAL	39,270	22,834
Side account	0	0
Net unfunded pension actuarial accrued liability	290,904	(43,608)
Combined valuation payroll	343,506	322,942
Net pension UAL as a percentage of payroll	85%	(14%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.72%)	(9.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,730	\$4,470
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$58,818	\$10,523	15.39%	\$55,475	\$8,538
Tier 2 General Service	12.44%	132,170	16,442	10.57%	125,586	13,274
Total General Service		190,988	26,965		181,061	21,812
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$190,988	\$26,965		\$181,061	\$21,812
Employer normal cost rate						
General Service			14.12%			12.05%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.12%			12.05%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$311,299)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(9.18%)
B. Actual employer payroll	157,050
C. Payment to transition liability/(surplus)	(14,417)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(9.18%)
B. Actual employer payroll	170,500
C. Payment to transition liability/(surplus)	(15,652)
4. Supplemental payment to transition liability	0
5. Interest	(21,795)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$303,025)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(303,025)	(311,299)
2. Combined valuation payroll	343,506	322,942
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(8.72%)	(9.01%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	343,506	322,942
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

NORCOM/2837

Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
NORCOM/2837

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
NORCOM/2837

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

NORCOM -- #2837

November 2015

Secondary Employers

2775 Silver Falls 9-1-1

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Executive Summary

Milliman has prepared this report for NORCOM to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to NORCOM.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for NORCOM

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.57%	14.57%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.38%)	(5.38%)	(5.38%)	(5.38%)	(5.38%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.96%	15.96%	21.47%	9.49%	14.29%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.46%	16.46%	21.97%	9.92%	14.72%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

NORCOM

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,873,697	\$851,717
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(631,885)	(662,356)
Allocated pooled OPSRP UAL	132,659	79,426
Side account	0	0
Net unfunded pension actuarial accrued liability	1,374,471	268,787
Combined valuation payroll	1,160,399	1,123,330
Net pension UAL as a percentage of payroll	118%	24%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.38%)	(5.51%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,224	\$15,548
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$175,242	\$31,351	15.39%	\$169,202	\$26,040
Tier 2 General Service	12.44%	272,122	33,852	10.57%	245,338	25,932
Total General Service		447,364	65,203		414,540	51,972
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$447,364	\$65,203		\$414,540	\$51,972
Employer normal cost rate						
General Service			14.57%			12.54%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.57%			12.54%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$662,356)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(6.73%)
B. Actual employer payroll	542,226
C. Payment to transition liability/(surplus)	(36,492)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(6.73%)
B. Actual employer payroll	585,863
C. Payment to transition liability/(surplus)	(39,428)
4. Supplemental payment to transition liability	0
5. Interest	(45,449)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$631,885)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(631,885)	(662,356)
2. Combined valuation payroll	1,160,399	1,123,330
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.38%)	(5.51%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,160,399	1,123,330
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

North Bend/Coos-Curry Housing Authority/2781
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
North Bend/Coos-Curry Housing Authority/2781

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
North Bend/Coos-Curry Housing Authority/2781

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Bend Coos-Curry Housing Authority -- #2781

November 2015

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Executive Summary

Milliman has prepared this report for North Bend/Coos-Curry Housing Authority to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Bend/Coos-Curry Housing Authority.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Bend/Coos-Curry Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	21.20%	21.20%	21.20%	21.20%	21.20%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	44.09%	44.09%	46.28%	34.30%	39.10%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	44.59%	44.59%	46.78%	34.73%	39.53%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

North Bend/Coos-Curry Housing Authority

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$854,327	\$351,557
Allocated pre-SLGRP pooled liability/(surplus)	(94,685)	(89,578)
Transition liability/(surplus)	1,134,959	1,123,534
Allocated pooled OPSRP UAL	60,487	32,784
Side account	0	0
Net unfunded pension actuarial accrued liability	1,955,088	1,418,297
Combined valuation payroll	529,093	463,668
Net pension UAL as a percentage of payroll	370%	306%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	21.20%	22.64%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,206	\$6,418
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$89,282	\$15,973	15.39%	\$89,916	\$13,838
Tier 2 General Service	12.44%	0	0	10.57%	44,503	4,704
Total General Service		89,282	15,973		134,419	18,542
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$89,282	\$15,973		\$134,419	\$18,542
Employer normal cost rate						
General Service			17.89%			13.79%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			13.79%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$1,123,534
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	14.67%
B. Actual employer payroll	220,138
C. Payment to transition liability/(surplus)	32,294
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	14.67%
B. Actual employer payroll	258,440
C. Payment to transition liability/(surplus)	37,914
4. Supplemental payment to transition liability	0
5. Interest	81,633
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$1,134,959

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	1,134,959	1,123,534
2. Combined valuation payroll	529,093	463,668
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	21.20%	22.64%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	529,093	463,668
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

North Central Public Health District/2884
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
North Central Public Health District/2884

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
North Central Public Health District/2884

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Central Public Health District -- #2884

November 2015

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Executive Summary

Milliman has prepared this report for North Central Public Health District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Central Public Health District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Central Public Health District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.07%	17.07%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.84%	23.84%	26.85%	14.87%	19.67%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	24.34%	24.34%	27.35%	15.30%	20.10%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

North Central Public Health District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,795,094	
Allocated pre-SLGRP pooled liability/(surplus)	0	
Transition liability/(surplus)	0	
Allocated pooled OPSRP UAL	127,094	
Side account	0	
Net unfunded pension actuarial accrued liability	1,922,188	
Combined valuation payroll	1,111,719	
Net pension UAL as a percentage of payroll	173%	
Pre-SLGRP pooled rate	0.00%	
Transition rate	0.00%	
Side account rate relief	0.00%	
Allocated pooled RHIA UAL	\$8,837	
Allocated pooled RHIPA UAL	\$0	

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$325,249	\$58,187	0.00%	\$0	\$0
Tier 2 General Service	12.44%	57,534	7,157	0.00%	0	0
Total General Service		382,783	65,344		0	0
Tier 1 Police & Fire	21.53%	0	0	0.00%	0	0
Tier 2 Police & Fire	19.00%	0	0	0.00%	0	0
Total Police & Fire		0	0		0	0
Total		\$382,783	\$65,344		\$0	\$0
Employer normal cost rate						
General Service			17.07%			0.00%
Police & Fire			20.08%			0.00%
Aggregate (Default)			17.07%			0.00%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	1,111,719	0
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	
2. Combined valuation payroll	1,111,719	
3. Amortization factor	10.118	
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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November 2015

North Douglas County Fire and EMS/2638
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
North Douglas County Fire and EMS/2638

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
North Douglas County Fire and EMS/2638

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Douglas County Fire and EMS -- #2638

November 2015

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Executive Summary

Milliman has prepared this report for North Douglas County Fire and EMS to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Douglas County Fire and EMS.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Douglas County Fire and EMS

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.30%	12.50%	19.30%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.10%)	(6.10%)	(6.10%)	(6.10%)	(6.10%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.97%	13.17%	19.97%	8.77%	13.57%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	20.47%	13.67%	20.47%	9.20%	14.00%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

North Douglas County Fire and EMS

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$385,075	\$174,865
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(147,208)	(145,139)
Allocated pooled OPSRP UAL	27,264	16,307
Side account	0	0
Net unfunded pension actuarial accrued liability	265,131	46,033
Combined valuation payroll	238,481	230,629
Net pension UAL as a percentage of payroll	111%	20%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.10%)	(5.88%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,896	\$3,192
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	88	11	10.57%	295	31
Total General Service		88	11		295	31
Tier 1 Police & Fire	21.53%	11,030	2,375	17.62%	9,202	1,621
Tier 2 Police & Fire	19.00%	81,179	15,424	15.63%	80,055	12,513
Total Police & Fire		92,209	17,799		89,257	14,134
Total		\$92,297	\$17,810		\$89,552	\$14,165
Employer normal cost rate						
General Service			12.50%			10.51%
Police & Fire			19.30%			15.84%
Aggregate (Default)			19.30%			15.82%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$145,139)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(3.94%)
B. Actual employer payroll	93,286
C. Payment to transition liability/(surplus)	(3,675)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(3.94%)
B. Actual employer payroll	122,953
C. Payment to transition liability/(surplus)	(4,844)
4. Supplemental payment to transition liability	0
5. Interest	(10,588)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$147,208)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(147,208)	(145,139)
2. Combined valuation payroll	238,481	230,629
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(6.10%)	(5.88%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	238,481	230,629
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

North Lincoln Fire & Rescue District #1/2793
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
North Lincoln Fire & Rescue District #1/2793

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
North Lincoln Fire & Rescue District #1/2793

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Lincoln Fire & Rescue District #1 -- #2793

November 2015

Secondary Employers

2711 Devils Lake Rural Fire Protection District

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Executive Summary

Milliman has prepared this report for North Lincoln Fire & Rescue District #1 to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Lincoln Fire & Rescue District #1.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Lincoln Fire & Rescue District #1

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.84%	15.16%	19.84%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.70%)	(3.70%)	(3.70%)	(3.70%)	(3.70%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.91%	18.23%	22.91%	11.17%	15.97%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.41%	18.73%	23.41%	11.60%	16.40%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

North Lincoln Fire & Rescue District #1

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$947,200	\$414,587
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(219,313)	(231,035)
Allocated pooled OPSRP UAL	67,062	38,662
Side account	0	0
Net unfunded pension actuarial accrued liability	794,949	222,214
Combined valuation payroll	586,610	546,799
Net pension UAL as a percentage of payroll	136%	41%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.70%)	(3.95%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,663	\$7,568
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	117,887	25,381	17.62%	112,957	19,903
Tier 2 Police & Fire	19.00%	239,020	45,414	15.63%	232,264	36,303
Total Police & Fire		356,907	70,795		345,221	56,206
Total		\$356,907	\$70,795		\$345,221	\$56,206
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.84%			16.28%
Aggregate (Default)			19.84%			16.28%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$231,035)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.92%)
B. Actual employer payroll	262,303
C. Payment to transition liability/(surplus)	(12,905)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.92%)
B. Actual employer payroll	296,551
C. Payment to transition liability/(surplus)	(14,591)
4. Supplemental payment to transition liability	0
5. Interest	(15,774)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$219,313)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(219,313)	(231,035)
2. Combined valuation payroll	586,610	546,799
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(3.70%)	(3.95%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	586,610	546,799
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

North Morrow Vector Control District/2839
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
North Morrow Vector Control District/2839

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
North Morrow Vector Control District/2839

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Morrow Vector Control District -- #2839

November 2015

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Executive Summary

Milliman has prepared this report for North Morrow Vector Control District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Morrow Vector Control District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Morrow Vector Control District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.13%	0.13%	0.13%	0.13%	0.13%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.57%	17.57%	25.21%	13.23%	18.03%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.07%	18.07%	25.71%	13.66%	18.46%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

North Morrow Vector Control District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$187,866	\$84,276
Allocated pre-SLGRP pooled liability/(surplus)	(20,821)	(21,474)
Transition liability/(surplus)	1,501	1,549
Allocated pooled OPSRP UAL	13,301	7,859
Side account	0	0
Net unfunded pension actuarial accrued liability	181,847	72,210
Combined valuation payroll	116,347	111,151
Net pension UAL as a percentage of payroll	156%	65%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.13%	0.13%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$925	\$1,538
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	116,347	14,474	10.57%	111,151	11,749
Total General Service		116,347	14,474		111,151	11,749
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$116,347	\$14,474		\$111,151	\$11,749
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$1,549
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.14%
B. Actual employer payroll	54,766
C. Payment to transition liability/(surplus)	77
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.14%
B. Actual employer payroll	56,807
C. Payment to transition liability/(surplus)	79
4. Supplemental payment to transition liability	0
5. Interest	108
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$1,501

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	1,501	1,549
2. Combined valuation payroll	116,347	111,151
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.13%	0.13%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	116,347	111,151
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

North Wasco County Parks And Recreation District/2792
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
North Wasco County Parks And Recreation District/2792

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
North Wasco County Parks And Recreation District/2792

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Wasco County Parks And Recreation District -- #2792

November 2015

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Executive Summary

Milliman has prepared this report for North Wasco County Parks And Recreation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Wasco County Parks And Recreation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Wasco County Parks And Recreation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.38%	15.38%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.38%	20.38%	25.08%	13.10%	17.90%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	20.88%	20.88%	25.58%	13.53%	18.33%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

North Wasco County Parks And Recreation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$529,688	\$263,348
Allocated pre-SLGRP pooled liability/(surplus)	(58,706)	(67,102)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	37,502	24,558
Side account	0	0
Net unfunded pension actuarial accrued liability	508,484	220,804
Combined valuation payroll	328,041	347,330
Net pension UAL as a percentage of payroll	155%	64%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,607	\$4,807
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$91,312	\$16,336	15.39%	\$179,027	\$27,552
Tier 2 General Service	12.44%	77,722	9,669	10.57%	0	0
Total General Service		169,034	26,005		179,027	27,552
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$169,034	\$26,005		\$179,027	\$27,552
Employer normal cost rate						
General Service			15.38%			15.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.38%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	328,041	347,330
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	328,041	347,330
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Northern Oregon Corrections/2825
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Northern Oregon Corrections/2825

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Northern Oregon Corrections/2825

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Northern Oregon Corrections -- #2825

November 2015

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Executive Summary

Milliman has prepared this report for Northern Oregon Corrections to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Northern Oregon Corrections.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Northern Oregon Corrections

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.32%	13.83%	19.57%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(8.18%)	(8.18%)	(8.18%)	(8.18%)	(8.18%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.91%	12.42%	18.16%	6.69%	11.49%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	15.41%	12.92%	18.66%	7.12%	11.92%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Northern Oregon Corrections

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$5,684,435	\$2,548,512
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,915,356)	(3,060,206)
Allocated pooled OPSRP UAL	402,461	237,660
Side account	0	0
Net unfunded pension actuarial accrued liability	3,171,540	(274,034)
Combined valuation payroll	3,520,426	3,361,233
Net pension UAL as a percentage of payroll	90%	(8%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.18%)	(8.51%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$27,982	\$46,523
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$199,763	\$35,738	15.39%	\$193,465	\$29,774
Tier 2 General Service	12.44%	584,014	72,651	10.57%	562,713	59,479
Total General Service		783,777	108,389		756,178	89,253
Tier 1 Police & Fire	21.53%	136,479	29,384	17.62%	208,770	36,785
Tier 2 Police & Fire	19.00%	464,884	88,328	15.63%	498,292	77,883
Total Police & Fire		601,363	117,712		707,062	114,668
Total		\$1,385,140	\$226,101		\$1,463,240	\$203,921
Employer normal cost rate						
General Service			13.83%			11.80%
Police & Fire			19.57%			16.22%
Aggregate (Default)			16.32%			13.94%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$3,060,206)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(10.48%)
B. Actual employer payroll	1,621,797
C. Payment to transition liability/(surplus)	(169,964)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(10.48%)
B. Actual employer payroll	1,761,209
C. Payment to transition liability/(surplus)	(184,575)
4. Supplemental payment to transition liability	0
5. Interest	(209,689)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$2,915,356)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(2,915,356)	(3,060,206)
2. Combined valuation payroll	3,520,426	3,361,233
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(8.18%)	(8.51%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,520,426	3,361,233
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Oak Lodge Water District/2504
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Oak Lodge Water District/2504

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Oak Lodge Water District/2504

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oak Lodge Water District -- #2504

November 2015

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Executive Summary

Milliman has prepared this report for Oak Lodge Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oak Lodge Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Oak Lodge Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.75%	15.75%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	2.04%	2.04%	2.04%	2.04%	2.04%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	24.56%	24.56%	28.89%	16.91%	21.71%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	25.06%	25.06%	29.39%	17.34%	22.14%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Oak Lodge Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,539,315	\$695,545
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	196,631	201,272
Allocated pooled OPSRP UAL	108,984	64,863
Side account	0	0
Net unfunded pension actuarial accrued liability	1,844,930	961,680
Combined valuation payroll	953,313	917,355
Net pension UAL as a percentage of payroll	194%	105%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	2.04%	2.05%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,577	\$12,697
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$465,426	\$83,265	15.39%	\$438,125	\$67,427
Tier 2 General Service	12.44%	300,238	37,350	10.57%	280,228	29,620
Total General Service		765,664	120,615		718,353	97,047
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$765,664	\$120,615		\$718,353	\$97,047
Employer normal cost rate						
General Service			15.75%			13.51%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.75%			13.51%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$201,272
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	2.02%
B. Actual employer payroll	438,753
C. Payment to transition liability/(surplus)	8,863
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	2.02%
B. Actual employer payroll	491,106
C. Payment to transition liability/(surplus)	9,921
4. Supplemental payment to transition liability	0
5. Interest	14,143
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$196,631

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	196,631	201,272
2. Combined valuation payroll	953,313	917,355
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	2.04%	2.05%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	953,313	917,355
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Ochoco Irrigation District/2852
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Ochoco Irrigation District/2852

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Ochoco Irrigation District/2852

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Ochoco Irrigation District -- #2852

November 2015

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Executive Summary

Milliman has prepared this report for Ochoco Irrigation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Ochoco Irrigation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Ochoco Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(6.00%)	(6.00%)	(6.00%)	(6.00%)	(6.00%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	11.44%	11.44%	19.08%	7.10%	11.90%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	11.94%	11.94%	19.58%	7.53%	12.33%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Ochoco Irrigation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$662,962	\$295,887
Allocated pre-SLGRP pooled liability/(surplus)	(73,476)	(75,393)
Transition liability/(surplus)	(249,241)	(254,916)
Allocated pooled OPSRP UAL	46,938	27,593
Side account	0	0
Net unfunded pension actuarial accrued liability	387,183	(6,829)
Combined valuation payroll	410,579	390,245
Net pension UAL as a percentage of payroll	94%	(2%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(6.00%)	(6.10%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,264	\$5,401
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	320,927	39,923	10.57%	320,573	33,885
Total General Service		320,927	39,923		320,573	33,885
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$320,927	\$39,923		\$320,573	\$33,885
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$254,916)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(5.47%)
B. Actual employer payroll	202,752
C. Payment to transition liability/(surplus)	(11,091)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(5.47%)
B. Actual employer payroll	228,738
C. Payment to transition liability/(surplus)	(12,511)
4. Supplemental payment to transition liability	0
5. Interest	(17,927)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$249,241)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(249,241)	(254,916)
2. Combined valuation payroll	410,579	390,245
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(6.00%)	(6.10%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	410,579	390,245
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Odell Sanitary District/2816
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Odell Sanitary District/2816

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Odell Sanitary District/2816

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Odell Sanitary District -- #2816

November 2015

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Executive Summary

Milliman has prepared this report for Odell Sanitary District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Odell Sanitary District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Odell Sanitary District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.11%)	(1.11%)	(1.11%)	(1.11%)	(1.11%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.10%	18.10%	25.74%	13.76%	18.56%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.60%	18.60%	26.24%	14.19%	18.99%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Odell Sanitary District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$272,875	\$180,804
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(18,935)	(20,885)
Allocated pooled OPSRP UAL	19,320	16,861
Side account	0	0
Net unfunded pension actuarial accrued liability	273,260	176,780
Combined valuation payroll	168,994	238,462
Net pension UAL as a percentage of payroll	162%	74%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.11%)	(0.82%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,343	\$3,301
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	43,364	5,394	10.57%	42,491	4,491
Total General Service		43,364	5,394		42,491	4,491
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$43,364	\$5,394		\$42,491	\$4,491
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$20,885)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.59%)
B. Actual employer payroll	116,279
C. Payment to transition liability/(surplus)	(1,849)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.59%)
B. Actual employer payroll	92,042
C. Payment to transition liability/(surplus)	(1,463)
4. Supplemental payment to transition liability	0
5. Interest	(1,362)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$18,935)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(18,935)	(20,885)
2. Combined valuation payroll	168,994	238,462
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.11%)	(0.82%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	168,994	238,462
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Oregon Coast Community College/2995
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Oregon Coast Community College/2995

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Oregon Coast Community College/2995

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oregon Coast Community College -- #2995

November 2015

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Executive Summary

Milliman has prepared this report for Oregon Coast Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oregon Coast Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Oregon Coast Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(9.27%)	(9.27%)	(9.27%)	(9.27%)	(9.27%)
Net pension contribution rate	14.18%	14.18%	19.36%	7.38%	12.18%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	14.68%	14.68%	19.86%	7.81%	12.61%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Oregon Coast Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$3,391,324	\$1,664,484
Allocated pre-SLGRP pooled liability/(surplus)	378,960	434,362
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	240,108	155,220
Side account	1,970,957	1,968,076
Net unfunded pension actuarial accrued liability	2,039,435	285,990
Combined valuation payroll	2,100,280	2,195,288
Net pension UAL as a percentage of payroll	97%	13%
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(9.27%)	(8.38%)
Allocated pooled RHIA UAL	\$16,694	\$30,385
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$1,968,076	\$1,968,076
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(137,347)	(137,347)
5. Side account earnings during 2014		141,228	141,228
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$1,970,957	\$1,970,957

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$1,970,957	\$1,968,076
Side Account 2	0	0
Side Account 3	0	0
Total	\$1,970,957	\$1,968,076

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$1,970,957	\$1,968,076
2. Combined valuation payroll	2,100,280	2,195,288
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(9.27%)	(8.38%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Oregon Health & Science University/2880
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Oregon Health & Science University/2880

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Oregon Health & Science University/2880

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oregon Health & Science University -- #2880

November 2015

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Executive Summary

Milliman has prepared this report for Oregon Health & Science University to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oregon Health & Science University.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Oregon Health & Science University

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.45%	15.44%	20.35%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.51%)	(6.51%)	(6.51%)	(6.51%)	(6.51%)
Side account rate relief ²	(0.18%)	(0.18%)	(0.18%)	(0.18%)	(0.18%)
Net pension contribution rate	15.53%	15.52%	20.43%	8.18%	12.98%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.03%	16.02%	20.93%	8.61%	13.41%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Oregon Health & Science University

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$562,759,723	\$275,079,908
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(229,666,390)	(231,312,343)
Allocated pooled OPSRP UAL	39,843,719	25,652,376
Side account	7,902,264	7,821,383
Net unfunded pension actuarial accrued liability	365,034,788	61,598,558
Combined valuation payroll	348,522,581	362,802,933
Net pension UAL as a percentage of payroll	105%	17%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.51%)	(5.96%)
Side account rate relief	(0.18%)	(0.17%)
Allocated pooled RHIA UAL	\$2,770,262	\$5,021,581
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$117,282,747	\$20,981,883	15.39%	\$121,291,990	\$18,666,837
Tier 2 General Service	12.44%	95,472,041	11,876,722	10.57%	102,737,616	10,859,366
Total General Service		212,754,788	32,858,605		224,029,606	29,526,203
Tier 1 Police & Fire	21.53%	194,028	41,774	17.62%	0	0
Tier 2 Police & Fire	19.00%	170,422	32,380	15.63%	0	0
Total Police & Fire		364,450	74,154		0	0
Total		\$213,119,238	\$32,932,759		\$224,029,606	\$29,526,203
Employer normal cost rate						
General Service			15.44%			13.18%
Police & Fire			20.35%			16.51%
Aggregate (Default)			15.45%			13.18%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$231,312,343)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(5.08%)
B. Actual employer payroll	186,293,074
C. Payment to transition liability/(surplus)	(9,463,688)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(5.08%)
B. Actual employer payroll	171,283,319
C. Payment to transition liability/(surplus)	(8,701,193)
4. Supplemental payment to transition liability	0
5. Interest	(16,518,928)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$229,666,390)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(229,666,390)	(231,312,343)
2. Combined valuation payroll	348,522,581	362,802,933
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(6.51%)	(5.96%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$7,821,383	\$7,821,383
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(482,645)	(482,645)
5. Side account earnings during 2014		564,526	564,526
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$7,902,264	\$7,902,264

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$7,902,264	\$7,821,383
Side Account 2	0	0
Side Account 3	0	0
Total	\$7,902,264	\$7,821,383

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$7,902,264	\$7,821,383
2. Combined valuation payroll	348,522,581	362,802,933
3. Amortization factor	12.353	12.856
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(0.18%)	(0.17%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Oregon School Boards Association/2531
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Oregon School Boards Association/2531

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Oregon School Boards Association/2531

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oregon School Boards Association -- #2531

November 2015

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Executive Summary

Milliman has prepared this report for Oregon School Boards Association to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oregon School Boards Association.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Oregon School Boards Association

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.36%	16.36%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.10%	0.10%	0.10%	0.10%	0.10%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.23%	23.23%	26.95%	14.97%	19.77%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.73%	23.73%	27.45%	15.40%	20.20%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Oregon School Boards Association

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$4,383,982	\$1,887,501
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	28,501	28,961
Allocated pooled OPSRP UAL	310,389	176,018
Side account	0	0
Net unfunded pension actuarial accrued liability	4,722,872	2,092,480
Combined valuation payroll	2,715,043	2,489,426
Net pension UAL as a percentage of payroll	174%	84%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.10%	0.11%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$21,581	\$34,456
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$1,029,960	\$184,260	15.39%	\$1,135,305	\$174,723
Tier 2 General Service	12.44%	402,534	50,075	10.57%	380,700	40,240
Total General Service		1,432,494	234,335		1,516,005	214,963
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$1,432,494	\$234,335		\$1,516,005	\$214,963
Employer normal cost rate						
General Service			16.36%			14.18%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.36%			14.18%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$28,961
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.10%
B. Actual employer payroll	1,205,631
C. Payment to transition liability/(surplus)	1,206
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.10%
B. Actual employer payroll	1,304,284
C. Payment to transition liability/(surplus)	1,304
4. Supplemental payment to transition liability	0
5. Interest	2,050
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$28,501

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	28,501	28,961
2. Combined valuation payroll	2,715,043	2,489,426
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.10%	0.11%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,715,043	2,489,426
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Oregon Trail Library District/2774
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Oregon Trail Library District/2774

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Oregon Trail Library District/2774

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oregon Trail Library District -- #2774

November 2015

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Executive Summary

Milliman has prepared this report for Oregon Trail Library District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oregon Trail Library District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Oregon Trail Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(1.03%)	(1.03%)	(1.03%)	(1.03%)	(1.03%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.86%	21.86%	24.05%	12.07%	16.87%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	22.36%	22.36%	24.55%	12.50%	17.30%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Oregon Trail Library District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$184,483	\$80,824
Allocated pre-SLGRP pooled liability/(surplus)	(20,446)	(20,594)
Transition liability/(surplus)	(11,919)	(12,301)
Allocated pooled OPSRP UAL	13,061	7,537
Side account	0	0
Net unfunded pension actuarial accrued liability	165,179	55,466
Combined valuation payroll	114,252	106,599
Net pension UAL as a percentage of payroll	145%	52%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(1.03%)	(1.08%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$908	\$1,475
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$46,270	\$8,278	15.39%	\$57,703	\$8,880
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		46,270	8,278		57,703	8,880
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$46,270	\$8,278		\$57,703	\$8,880
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$12,301)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.14%)
B. Actual employer payroll	51,864
C. Payment to transition liability/(surplus)	(591)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.14%)
B. Actual employer payroll	56,785
C. Payment to transition liability/(surplus)	(648)
4. Supplemental payment to transition liability	0
5. Interest	(857)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$11,919)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(11,919)	(12,301)
2. Combined valuation payroll	114,252	106,599
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.03%)	(1.08%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	114,252	106,599
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Parkdale Fire District/2684
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Parkdale Fire District/2684

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Parkdale Fire District/2684

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Parkdale Fire District -- #2684

November 2015

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Executive Summary

Milliman has prepared this report for Parkdale Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Parkdale Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Parkdale Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.00%	15.16%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.56%	0.56%	0.56%	0.56%	0.56%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	26.33%	22.49%	26.33%	15.43%	20.23%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	26.83%	22.99%	26.83%	15.86%	20.66%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Parkdale Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$173,152	\$75,256
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	6,098	6,279
Allocated pooled OPSRP UAL	12,259	7,018
Side account	0	0
Net unfunded pension actuarial accrued liability	191,509	88,553
Combined valuation payroll	107,235	99,255
Net pension UAL as a percentage of payroll	179%	89%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.56%	0.59%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$852	\$1,374
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	68,114	12,942	15.63%	65,427	10,226
Total Police & Fire		68,114	12,942		65,427	10,226
Total		\$68,114	\$12,942		\$65,427	\$10,226
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.00%			15.63%
Aggregate (Default)			19.00%			15.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$6,279
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.73%
B. Actual employer payroll	42,026
C. Payment to transition liability/(surplus)	307
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.73%
B. Actual employer payroll	42,940
C. Payment to transition liability/(surplus)	313
4. Supplemental payment to transition liability	0
5. Interest	439
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$6,098

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	6,098	6,279
2. Combined valuation payroll	107,235	99,255
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.56%	0.59%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	107,235	99,255
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Philomath Fire Department/2694
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Philomath Fire Department/2694

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Philomath Fire Department/2694

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Philomath Fire Department -- #2694

November 2015

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Executive Summary

Milliman has prepared this report for Philomath Fire Department to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Philomath Fire Department.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Philomath Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	20.45%	15.16%	20.45%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(1.51%)	(1.51%)	(1.51%)	(1.51%)	(1.51%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.94%	18.65%	23.94%	11.59%	16.39%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	24.44%	19.15%	24.44%	12.02%	16.82%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Philomath Fire Department

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$596,621	\$270,311
Allocated pre-SLGRP pooled liability/(surplus)	(66,124)	(68,876)
Transition liability/(surplus)	(56,338)	(58,810)
Allocated pooled OPSRP UAL	42,241	25,208
Side account	0	0
Net unfunded pension actuarial accrued liability	516,400	167,833
Combined valuation payroll	369,493	356,513
Net pension UAL as a percentage of payroll	140%	47%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(1.51%)	(1.54%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,937	\$4,935
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	90,762	19,541	17.62%	83,157	14,652
Tier 2 Police & Fire	19.00%	67,957	12,912	15.63%	65,603	10,254
Total Police & Fire		158,719	32,453		148,760	24,906
Total		\$158,719	\$32,453		\$148,760	\$24,906
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.45%			16.74%
Aggregate (Default)			20.45%			16.74%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$58,810)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.59%)
B. Actual employer payroll	199,672
C. Payment to transition liability/(surplus)	(3,175)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.59%)
B. Actual employer payroll	210,597
C. Payment to transition liability/(surplus)	(3,349)
4. Supplemental payment to transition liability	0
5. Interest	(4,052)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$56,338)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(56,338)	(58,810)
2. Combined valuation payroll	369,493	356,513
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.51%)	(1.54%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	369,493	356,513
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Pleasant Hill Fire Department/2650
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Pleasant Hill Fire Department/2650

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Pleasant Hill Fire Department/2650

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Pleasant Hill Fire Department -- #2650

November 2015

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Executive Summary

Milliman has prepared this report for Pleasant Hill Fire Department to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Pleasant Hill Fire Department.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Pleasant Hill Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.58%)	(2.58%)	(2.58%)	(2.58%)	(2.58%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.47%	17.58%	22.50%	10.52%	15.32%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.97%	18.08%	23.00%	10.95%	15.75%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Pleasant Hill Fire Department

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$86,873	\$33,902
Allocated pre-SLGRP pooled liability/(surplus)	(9,628)	(8,639)
Transition liability/(surplus)	(14,047)	(14,123)
Allocated pooled OPSRP UAL	6,151	3,162
Side account	0	0
Net unfunded pension actuarial accrued liability	69,349	14,302
Combined valuation payroll	53,801	44,714
Net pension UAL as a percentage of payroll	129%	32%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.58%)	(2.95%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$428	\$619
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$14,123)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.16%)
B. Actual employer payroll	23,020
C. Payment to transition liability/(surplus)	(497)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.16%)
B. Actual employer payroll	27,250
C. Payment to transition liability/(surplus)	(589)
4. Supplemental payment to transition liability	0
5. Interest	(1,010)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$14,047)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(14,047)	(14,123)
2. Combined valuation payroll	53,801	44,714
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.58%)	(2.95%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	53,801	44,714
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Port of Coos Bay/2513
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Port of Coos Bay/2513

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Port of Coos Bay/2513

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Coos Bay -- #2513

November 2015

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Executive Summary

Milliman has prepared this report for Port of Coos Bay to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Coos Bay.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Port of Coos Bay

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.35%	16.35%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.84%)	(1.84%)	(1.84%)	(1.84%)	(1.84%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.28%	21.28%	25.01%	13.03%	17.83%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.78%	21.78%	25.51%	13.46%	18.26%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Port of Coos Bay

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,927,848	\$922,574
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(222,656)	(224,895)
Allocated pooled OPSRP UAL	136,493	86,034
Side account	0	0
Net unfunded pension actuarial accrued liability	1,841,685	783,713
Combined valuation payroll	1,193,935	1,216,783
Net pension UAL as a percentage of payroll	154%	64%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.84%)	(1.73%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,490	\$16,842
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$203,921	\$36,481	15.39%	\$204,966	\$31,544
Tier 2 General Service	12.44%	79,991	9,951	10.57%	230,978	24,414
Total General Service		283,912	46,432		435,944	55,958
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$283,912	\$46,432		\$435,944	\$55,958
Employer normal cost rate						
General Service			16.35%			12.84%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.35%			12.84%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$224,895)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.73%)
B. Actual employer payroll	535,875
C. Payment to transition liability/(surplus)	(9,271)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.73%)
B. Actual employer payroll	519,270
C. Payment to transition liability/(surplus)	(8,983)
4. Supplemental payment to transition liability	0
5. Interest	(16,015)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$222,656)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(222,656)	(224,895)
2. Combined valuation payroll	1,193,935	1,216,783
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.84%)	(1.73%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,193,935	1,216,783
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Port of Garibaldi/2741
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Port of Garibaldi/2741

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Port of Garibaldi/2741

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Garibaldi -- #2741

November 2015

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for Port of Garibaldi to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Garibaldi.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Port of Garibaldi

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.01%	15.01%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(4.02%)	(4.02%)	(4.02%)	(4.02%)	(4.02%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.99%	15.99%	21.06%	9.08%	13.88%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.49%	16.49%	21.56%	9.51%	14.31%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Port of Garibaldi

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$311,447	\$215,084
Allocated pre-SLGRP pooled liability/(surplus)	(34,518)	(54,804)
Transition liability/(surplus)	(78,404)	(77,217)
Allocated pooled OPSRP UAL	22,051	20,057
Side account	0	0
Net unfunded pension actuarial accrued liability	220,576	103,120
Combined valuation payroll	192,882	283,674
Net pension UAL as a percentage of payroll	114%	36%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(4.02%)	(2.54%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,533	\$3,926
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$44,680	\$7,993	15.39%	\$43,901	\$6,756
Tier 2 General Service	12.44%	49,959	6,215	10.57%	49,033	5,183
Total General Service		94,639	14,208		92,934	11,939
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$94,639	\$14,208		\$92,934	\$11,939
Employer normal cost rate						
General Service			15.01%			12.85%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.01%			12.85%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$77,217)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.33%)
B. Actual employer payroll	99,163
C. Payment to transition liability/(surplus)	(2,311)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.33%)
B. Actual employer payroll	91,920
C. Payment to transition liability/(surplus)	(2,141)
4. Supplemental payment to transition liability	0
5. Interest	(5,639)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$78,404)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(78,404)	(77,217)
2. Combined valuation payroll	192,882	283,674
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(4.02%)	(2.54%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	192,882	283,674
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Port of Newport/2625
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Port of Newport/2625

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Port of Newport/2625

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Newport -- #2625

November 2015

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for Port of Newport to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Newport.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Port of Newport

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.19%	17.19%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(12.04%)	(12.04%)	(12.04%)	(12.04%)	(12.04%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	11.92%	11.92%	14.81%	2.83%	7.63%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	12.42%	12.42%	15.31%	3.26%	8.06%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Port of Newport

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,014,528	\$406,957
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(765,533)	(766,903)
Allocated pooled OPSRP UAL	71,829	37,951
Side account	0	0
Net unfunded pension actuarial accrued liability	320,824	(321,995)
Combined valuation payroll	628,307	536,736
Net pension UAL as a percentage of payroll	51%	(60%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(12.04%)	(13.35%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,994	\$7,429
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$178,804	\$31,988	15.39%	\$165,526	\$25,474
Tier 2 General Service	12.44%	26,151	3,253	10.57%	43,076	4,553
Total General Service		204,955	35,241		208,602	30,027
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$204,955	\$35,241		\$208,602	\$30,027
Employer normal cost rate						
General Service			17.19%			14.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.19%			14.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$766,903)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(9.18%)
B. Actual employer payroll	308,177
C. Payment to transition liability/(surplus)	(28,291)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(9.18%)
B. Actual employer payroll	306,552
C. Payment to transition liability/(surplus)	(28,141)
4. Supplemental payment to transition liability	0
5. Interest	(55,062)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$765,533)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(765,533)	(766,903)
2. Combined valuation payroll	628,307	536,736
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(12.04%)	(13.35%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	628,307	536,736
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Port of Portland/2512
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Port of Portland/2512

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Port of Portland/2512

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Portland -- #2512

November 2015

Secondary Employers

2151 Portland Dock Commission

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Executive Summary

Milliman has prepared this report for Port of Portland to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Portland.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Port of Portland

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.73%	14.77%	20.04%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(0.13%)	(0.13%)	(0.13%)	(0.13%)	(0.13%)
Side account rate relief ²	(5.06%)	(5.06%)	(5.06%)	(5.06%)	(5.06%)
Net pension contribution rate	15.54%	14.58%	19.85%	7.91%	12.71%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.04%	15.08%	20.35%	8.34%	13.14%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Port of Portland

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$109,397,539	\$46,140,920
Allocated pre-SLGRP pooled liability/(surplus)	(12,124,567)	(11,756,912)
Transition liability/(surplus)	(857,515)	(881,232)
Allocated pooled OPSRP UAL	7,745,410	4,302,838
Side account	34,663,317	35,166,239
Net unfunded pension actuarial accrued liability	69,497,550	2,639,375
Combined valuation payroll	67,750,962	60,855,267
Net pension UAL as a percentage of payroll	103%	4%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(0.13%)	(0.14%)
Side account rate relief	(5.06%)	(5.40%)
Allocated pooled RHIA UAL	\$538,524	\$842,302
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$12,837,286	\$2,296,590	15.39%	\$11,891,955	\$1,830,172
Tier 2 General Service	12.44%	17,203,539	2,140,120	10.57%	16,323,016	1,725,343
Total General Service		30,040,825	4,436,710		28,214,971	3,555,515
Tier 1 Police & Fire	21.53%	2,750,610	592,206	17.62%	2,613,516	460,502
Tier 2 Police & Fire	19.00%	3,970,566	754,408	15.63%	3,870,851	605,014
Total Police & Fire		6,721,176	1,346,614		6,484,367	1,065,516
Total		\$36,762,001	\$5,783,324		\$34,699,338	\$4,621,031
Employer normal cost rate						
General Service			14.77%			12.60%
Police & Fire			20.04%			16.43%
Aggregate (Default)			15.73%			13.32%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$881,232)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.13%)
B. Actual employer payroll	30,728,954
C. Payment to transition liability/(surplus)	(39,948)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.13%)
B. Actual employer payroll	34,959,377
C. Payment to transition liability/(surplus)	(45,446)
4. Supplemental payment to transition liability	0
5. Interest	(61,677)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$857,515)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(857,515)	(881,232)
2. Combined valuation payroll	67,750,962	60,855,267
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.13%)	(0.14%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$35,166,239	\$35,166,239
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(3,017,225)	(3,017,225)
5. Side account earnings during 2014		2,516,303	2,516,303
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$34,663,317	\$34,663,317

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$17,594,803	\$17,850,968
Side Account 2	17,068,514	17,315,271
Side Account 3	0	0
Total	\$34,663,317	\$35,166,239

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$34,663,317	\$35,166,239
2. Combined valuation payroll	67,750,962	60,855,267
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(5.06%)	(5.40%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Port of The Dalles/2501
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Port of The Dalles/2501

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Port of The Dalles/2501

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of The Dalles -- #2501

November 2015

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for Port of The Dalles to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of The Dalles.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Port of The Dalles

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.73%	13.73%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(13.71%)	(13.71%)	(13.71%)	(13.71%)	(13.71%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	5.02%	5.02%	11.37%	0.00%	4.19%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	5.52%	5.52%	11.87%	0.43%	4.62%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Port of The Dalles

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$281,383	\$147,214
Allocated pre-SLGRP pooled liability/(surplus)	(31,186)	(37,511)
Transition liability/(surplus)	(241,785)	(246,852)
Allocated pooled OPSRP UAL	19,922	13,728
Side account	0	0
Net unfunded pension actuarial accrued liability	28,334	(123,421)
Combined valuation payroll	174,263	194,161
Net pension UAL as a percentage of payroll	16%	(64%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(13.71%)	(11.88%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,385	\$2,687
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$32,258	\$5,771	15.39%	\$32,277	\$4,967
Tier 2 General Service	12.44%	104,280	12,972	10.57%	89,897	9,502
Total General Service		136,538	18,743		122,174	14,469
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$136,538	\$18,743		\$122,174	\$14,469
Employer normal cost rate						
General Service			13.73%			11.84%
Police & Fire			20.08%			16.51%
Aggregate (Default)			13.73%			11.84%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$246,852)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(13.54%)
B. Actual employer payroll	89,273
C. Payment to transition liability/(surplus)	(11,357)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(13.54%)
B. Actual employer payroll	86,165
C. Payment to transition liability/(surplus)	(11,101)
4. Supplemental payment to transition liability	0
5. Interest	(17,391)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$241,785)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(241,785)	(246,852)
2. Combined valuation payroll	174,263	194,161
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(13.71%)	(11.88%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	174,263	194,161
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Port of Tillamook Bay/2713
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Port of Tillamook Bay/2713

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Port of Tillamook Bay/2713

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Tillamook Bay -- #2713

November 2015

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Executive Summary

Milliman has prepared this report for Port of Tillamook Bay to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Tillamook Bay.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Port of Tillamook Bay

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.86%	13.86%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.28%)	(2.28%)	(2.28%)	(2.28%)	(2.28%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.58%	16.58%	22.80%	10.82%	15.62%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.08%	17.08%	23.30%	11.25%	16.05%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Port of Tillamook Bay

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,139,611	\$458,600
Allocated pre-SLGRP pooled liability/(surplus)	(126,303)	(116,853)
Transition liability/(surplus)	(162,914)	(164,165)
Allocated pooled OPSRP UAL	80,685	42,766
Side account	0	0
Net unfunded pension actuarial accrued liability	931,079	220,348
Combined valuation payroll	705,772	604,847
Net pension UAL as a percentage of payroll	132%	36%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.28%)	(2.54%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$5,610	\$8,372
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$66,329	\$11,866	15.39%	\$64,368	\$9,906
Tier 2 General Service	12.44%	187,672	23,346	10.57%	194,163	20,523
Total General Service		254,001	35,212		258,531	30,429
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$254,001	\$35,212		\$258,531	\$30,429
Employer normal cost rate						
General Service			13.86%			11.77%
Police & Fire			20.08%			16.51%
Aggregate (Default)			13.86%			11.77%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$164,165)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.92%)
B. Actual employer payroll	331,614
C. Payment to transition liability/(surplus)	(6,367)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.92%)
B. Actual employer payroll	343,827
C. Payment to transition liability/(surplus)	(6,602)
4. Supplemental payment to transition liability	0
5. Interest	(11,718)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$162,914)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(162,914)	(164,165)
2. Combined valuation payroll	705,772	604,847
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.28%)	(2.54%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	705,772	604,847
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Port Orford Library/2673
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Port Orford Library/2673

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Port Orford Library/2673

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port Orford Library -- #2673

November 2015

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Executive Summary

Milliman has prepared this report for Port Orford Library to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port Orford Library.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Port Orford Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(54.21%)	(54.21%)	(54.21%)	(54.21%)	(54.21%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	0.50%	0.50%	0.50%	0.43%	0.43%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Port Orford Library

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$11,597	\$5,138
Allocated pre-SLGRP pooled liability/(surplus)	(1,285)	(1,309)
Transition liability/(surplus)	(39,390)	(37,272)
Allocated pooled OPSRP UAL	821	479
Side account	0	0
Net unfunded pension actuarial accrued liability	(28,257)	(32,964)
Combined valuation payroll	7,182	6,776
Net pension UAL as a percentage of payroll	(393%)	(486%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(54.21%)	(51.39%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$57	\$94
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$37,272)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(12.95%)
B. Actual employer payroll	3,140
C. Payment to transition liability/(surplus)	(333)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(12.95%)
B. Actual employer payroll	3,597
C. Payment to transition liability/(surplus)	(382)
4. Supplemental payment to transition liability	0
5. Interest	(2,833)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$39,390)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(39,390)	(37,272)
2. Combined valuation payroll	7,182	6,776
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(54.21%)	(51.39%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	7,182	6,776
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Portland Community College/2918
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Portland Community College/2918

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Portland Community College/2918

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Portland Community College -- #2918

November 2015

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Executive Summary

Milliman has prepared this report for Portland Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Portland Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Portland Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(9.16%)	(9.16%)	(9.16%)	(9.16%)	(9.16%)
Net pension contribution rate	14.29%	14.29%	19.47%	7.49%	12.29%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	14.79%	14.79%	19.97%	7.92%	12.72%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Portland Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$207,087,759	\$94,496,484
Allocated pre-SLGRP pooled liability/(surplus)	23,140,780	24,659,688
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	14,661,935	8,812,201
Side account	118,918,159	120,871,544
Net unfunded pension actuarial accrued liability	125,972,315	7,096,829
Combined valuation payroll	128,251,467	124,631,427
Net pension UAL as a percentage of payroll	98%	6%
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(9.16%)	(9.06%)
Allocated pooled RHIA UAL	\$1,019,418	\$1,725,032
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$120,871,544	\$120,871,544
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(10,611,124)	(10,611,124)
5. Side account earnings during 2014		8,658,739	8,658,739
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$118,918,159	\$118,918,159

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$118,918,159	\$120,871,544
Side Account 2	0	0
Side Account 3	0	0
Total	\$118,918,159	\$120,871,544

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$118,918,159	\$120,871,544
2. Combined valuation payroll	128,251,467	124,631,427
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(9.16%)	(9.06%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Portland Housing Authority/2519
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Portland Housing Authority/2519

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Portland Housing Authority/2519

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Portland Housing Authority -- #2519

November 2015

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Executive Summary

Milliman has prepared this report for Portland Housing Authority to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Portland Housing Authority.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Portland Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.41%	14.41%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.78%)	(4.78%)	(4.78%)	(4.78%)	(4.78%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.40%	16.40%	22.07%	10.09%	14.89%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.90%	16.90%	22.57%	10.52%	15.32%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Portland Housing Authority

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$23,618,417	\$10,158,391
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(7,079,318)	(7,204,887)
Allocated pooled OPSRP UAL	1,672,198	947,313
Side account	0	0
Net unfunded pension actuarial accrued liability	18,211,297	3,900,817
Combined valuation payroll	14,627,116	13,397,903
Net pension UAL as a percentage of payroll	125%	29%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.78%)	(5.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$116,265	\$185,441
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$2,554,821	\$457,057	15.39%	\$2,661,518	\$409,608
Tier 2 General Service	12.44%	4,500,178	559,822	10.57%	4,209,813	444,977
Total General Service		7,054,999	1,016,879		6,871,331	854,585
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$7,054,999	\$1,016,879		\$6,871,331	\$854,585
Employer normal cost rate						
General Service			14.41%			12.44%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.41%			12.44%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$7,204,887)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.46%)
B. Actual employer payroll	7,216,707
C. Payment to transition liability/(surplus)	(321,865)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.46%)
B. Actual employer payroll	7,015,445
C. Payment to transition liability/(surplus)	(312,889)
4. Supplemental payment to transition liability	0
5. Interest	(509,185)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$7,079,318)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(7,079,318)	(7,204,887)
2. Combined valuation payroll	14,627,116	13,397,903
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(4.78%)	(5.02%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	14,627,116	13,397,903
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Rainbow Water District/2542
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Rainbow Water District/2542

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Rainbow Water District/2542

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rainbow Water District -- #2542

November 2015

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Executive Summary

Milliman has prepared this report for Rainbow Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rainbow Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Rainbow Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	2.14%	2.14%	2.14%	2.14%	2.14%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	25.03%	25.03%	27.22%	15.24%	20.04%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	25.53%	25.53%	27.72%	15.67%	20.47%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Rainbow Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$756,334	\$366,595
Allocated pre-SLGRP pooled liability/(surplus)	(83,825)	(93,410)
Transition liability/(surplus)	101,565	103,501
Allocated pooled OPSRP UAL	53,549	34,187
Side account	0	0
Net unfunded pension actuarial accrued liability	827,623	410,873
Combined valuation payroll	468,405	483,502
Net pension UAL as a percentage of payroll	177%	85%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	2.14%	2.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,723	\$6,692
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$218,431	\$39,077	15.39%	\$215,682	\$33,193
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		218,431	39,077		215,682	33,193
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$218,431	\$39,077		\$215,682	\$33,193
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$103,501
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	2.11%
B. Actual employer payroll	208,472
C. Payment to transition liability/(surplus)	4,399
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	2.11%
B. Actual employer payroll	229,481
C. Payment to transition liability/(surplus)	4,842
4. Supplemental payment to transition liability	0
5. Interest	7,305
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$101,565

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	101,565	103,501
2. Combined valuation payroll	468,405	483,502
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	2.14%	2.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	468,405	483,502
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Rainier Cemetery District/2776
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Rainier Cemetery District/2776

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Rainier Cemetery District/2776

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No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rainier Cemetery District -- #2776

November 2015

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Executive Summary

Milliman has prepared this report for Rainier Cemetery District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rainier Cemetery District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Rainier Cemetery District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(20.49%)	(20.49%)	(20.49%)	(20.49%)	(20.49%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	2.33%	1.44%	6.36%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	2.83%	1.94%	6.86%	0.43%	0.43%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Rainier Cemetery District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$69,122	\$55,145
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(88,770)	(90,561)
Allocated pooled OPSRP UAL	4,894	5,143
Side account	0	0
Net unfunded pension actuarial accrued liability	(14,754)	(30,273)
Combined valuation payroll	42,808	72,731
Net pension UAL as a percentage of payroll	(34%)	(42%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(20.49%)	(11.63%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$340	\$1,007
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$90,561)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(15.26%)
B. Actual employer payroll	34,690
C. Payment to transition liability/(surplus)	(4,295)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(15.26%)
B. Actual employer payroll	31,348
C. Payment to transition liability/(surplus)	(3,881)
4. Supplemental payment to transition liability	0
5. Interest	(6,385)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$88,770)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(88,770)	(90,561)
2. Combined valuation payroll	42,808	72,731
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(20.49%)	(11.63%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	42,808	72,731
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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November 2015

Redmond Fire & Rescue/2590
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Redmond Fire & Rescue/2590

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Redmond Fire & Rescue/2590

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Redmond Fire & Rescue -- #2590

November 2015

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Executive Summary

Milliman has prepared this report for Redmond Fire & Rescue to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Redmond Fire & Rescue.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Redmond Fire & Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.86%	15.16%	19.86%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.08%)	(5.08%)	(5.08%)	(5.08%)	(5.08%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.55%	16.85%	21.55%	9.79%	14.59%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	22.05%	17.35%	22.05%	10.22%	15.02%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Redmond Fire & Rescue

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$6,886,407	\$3,070,034
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,192,058)	(2,265,999)
Allocated pooled OPSRP UAL	487,562	286,294
Side account	0	0
Net unfunded pension actuarial accrued liability	5,181,911	1,090,329
Combined valuation payroll	4,264,819	4,049,068
Net pension UAL as a percentage of payroll	122%	27%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.08%)	(5.23%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$33,899	\$56,043
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$42,250	\$6,502
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		42,250	6,502
Tier 1 Police & Fire	21.53%	973,091	209,506	17.62%	950,146	167,416
Tier 2 Police & Fire	19.00%	1,887,360	358,598	15.63%	1,812,784	283,338
Total Police & Fire		2,860,451	568,104		2,762,930	450,754
Total		\$2,860,451	\$568,104		\$2,805,180	\$457,256
Employer normal cost rate						
General Service			15.16%			15.39%
Police & Fire			19.86%			16.31%
Aggregate (Default)			19.86%			16.30%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$2,265,999)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(5.70%)
B. Actual employer payroll	2,044,245
C. Payment to transition liability/(surplus)	(116,522)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(5.70%)
B. Actual employer payroll	2,019,018
C. Payment to transition liability/(surplus)	(115,084)
4. Supplemental payment to transition liability	0
5. Interest	(157,665)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$2,192,058)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(2,192,058)	(2,265,999)
2. Combined valuation payroll	4,264,819	4,049,068
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.08%)	(5.23%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	4,264,819	4,049,068
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Rogue Community College/2922
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Rogue Community College/2922

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Rogue Community College/2922

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rogue Community College -- #2922

November 2015

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Executive Summary

Milliman has prepared this report for Rogue Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rogue Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Rogue Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(9.21%)	(9.21%)	(9.21%)	(9.21%)	(9.21%)
Net pension contribution rate	14.24%	14.24%	19.42%	7.44%	12.24%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	14.74%	14.74%	19.92%	7.87%	12.67%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Rogue Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$31,333,355	\$14,405,887
Allocated pre-SLGRP pooled liability/(surplus)	3,501,309	3,759,343
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	2,218,420	1,343,410
Side account	18,083,620	18,229,883
Net unfunded pension actuarial accrued liability	18,969,464	1,278,757
Combined valuation payroll	19,405,052	18,999,927
Net pension UAL as a percentage of payroll	98%	7%
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(9.21%)	(8.96%)
Allocated pooled RHIA UAL	\$154,243	\$262,979
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$18,229,883	\$18,229,883
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,453,401)	(1,453,401)
5. Side account earnings during 2014		1,308,139	1,308,139
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$18,083,620	\$18,083,620

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$18,083,620	\$18,229,883
Side Account 2	0	0
Side Account 3	0	0
Total	\$18,083,620	\$18,229,883

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$18,083,620	\$18,229,883
2. Combined valuation payroll	19,405,052	18,999,927
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(9.21%)	(8.96%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Rogue River Fire District/2549
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Rogue River Fire District/2549

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Rogue River Fire District/2549

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rogue River Fire District -- #2549

November 2015

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Executive Summary

Milliman has prepared this report for Rogue River Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rogue River Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Rogue River Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.35%	15.39%	19.92%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(5.54%)	(5.54%)	(5.54%)	(5.54%)	(5.54%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.81%	14.85%	19.38%	7.56%	12.36%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	19.31%	15.35%	19.88%	7.99%	12.79%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Rogue River Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,406,529	\$660,971
Allocated pre-SLGRP pooled liability/(surplus)	(155,886)	(168,418)
Transition liability/(surplus)	(488,000)	(491,269)
Allocated pooled OPSRP UAL	99,583	61,638
Side account	0	0
Net unfunded pension actuarial accrued liability	862,226	62,922
Combined valuation payroll	871,077	871,755
Net pension UAL as a percentage of payroll	99%	7%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(5.54%)	(5.27%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,924	\$12,066
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$51,034	\$9,130	15.39%	\$49,754	\$7,657
Tier 2 General Service	12.44%	43,276	5,384	10.57%	41,624	4,400
Total General Service		94,310	14,514		91,378	12,057
Tier 1 Police & Fire	21.53%	235,949	50,800	17.62%	252,231	44,443
Tier 2 Police & Fire	19.00%	409,966	77,894	15.63%	317,929	49,692
Total Police & Fire		645,915	128,694		570,160	94,135
Total		\$740,225	\$143,208		\$661,538	\$106,192
Employer normal cost rate						
General Service			15.39%			13.19%
Police & Fire			19.92%			16.51%
Aggregate (Default)			19.35%			16.05%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$491,269)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.68%)
B. Actual employer payroll	428,008
C. Payment to transition liability/(surplus)	(20,031)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.68%)
B. Actual employer payroll	391,848
C. Payment to transition liability/(surplus)	(18,338)
4. Supplemental payment to transition liability	0
5. Interest	(35,100)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$488,000)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(488,000)	(491,269)
2. Combined valuation payroll	871,077	871,755
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.54%)	(5.27%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	871,077	871,755
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Rogue River Valley Irrigation District/2585
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Rogue River Valley Irrigation District/2585

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Rogue River Valley Irrigation District/2585

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rogue River Valley Irrigation District -- #2585

November 2015

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Executive Summary

Milliman has prepared this report for Rogue River Valley Irrigation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rogue River Valley Irrigation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Rogue River Valley Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	8.27%	8.27%	8.27%	8.27%	8.27%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	27.48%	27.48%	35.12%	23.14%	27.94%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	27.98%	27.98%	35.62%	23.57%	28.37%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Rogue River Valley Irrigation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$468,092	\$178,424
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	242,513	248,643
Allocated pooled OPSRP UAL	33,141	16,639
Side account	0	0
Net unfunded pension actuarial accrued liability	743,746	443,706
Combined valuation payroll	289,894	235,323
Net pension UAL as a percentage of payroll	257%	189%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	8.27%	9.87%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,304	\$3,257
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	114,365	14,227	10.57%	110,396	11,669
Total General Service		114,365	14,227		110,396	11,669
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$114,365	\$14,227		\$110,396	\$11,669
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$248,643
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	8.72%
B. Actual employer payroll	131,418
C. Payment to transition liability/(surplus)	11,460
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	8.72%
B. Actual employer payroll	138,915
C. Payment to transition liability/(surplus)	12,113
4. Supplemental payment to transition liability	0
5. Interest	17,443
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$242,513

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	242,513	248,643
2. Combined valuation payroll	289,894	235,323
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	8.27%	9.87%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	289,894	235,323
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Roseburg Urban Sanitary Authority/2669
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Roseburg Urban Sanitary Authority/2669

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Roseburg Urban Sanitary Authority/2669

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Roseburg Urban Sanitary Authority -- #2669

November 2015

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Executive Summary

Milliman has prepared this report for Roseburg Urban Sanitary Authority to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Roseburg Urban Sanitary Authority.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Roseburg Urban Sanitary Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.04%	16.04%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.73%)	(4.73%)	(4.73%)	(4.73%)	(4.73%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.08%	18.08%	22.12%	10.14%	14.94%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.58%	18.58%	22.62%	10.57%	15.37%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Roseburg Urban Sanitary Authority

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,574,035	\$710,158
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(466,696)	(479,826)
Allocated pooled OPSRP UAL	111,443	66,225
Side account	0	0
Net unfunded pension actuarial accrued liability	1,218,782	296,557
Combined valuation payroll	974,815	936,627
Net pension UAL as a percentage of payroll	125%	32%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.73%)	(4.79%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,748	\$12,964
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$467,151	\$83,573	15.39%	\$453,915	\$69,858
Tier 2 General Service	12.44%	240,902	29,968	10.57%	227,613	24,059
Total General Service		708,053	113,541		681,528	93,917
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$708,053	\$113,541		\$681,528	\$93,917
Employer normal cost rate						
General Service			16.04%			13.78%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.04%			13.78%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$479,826)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(5.00%)
B. Actual employer payroll	457,427
C. Payment to transition liability/(surplus)	(22,871)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(5.00%)
B. Actual employer payroll	476,527
C. Payment to transition liability/(surplus)	(23,826)
4. Supplemental payment to transition liability	0
5. Interest	(33,567)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$466,696)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(466,696)	(479,826)
2. Combined valuation payroll	974,815	936,627
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(4.73%)	(4.79%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	974,815	936,627
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Rural Road Assessment District #3/2802
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Rural Road Assessment District #3/2802

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Rural Road Assessment District #3/2802

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rural Road Assessment District #3 -- #2802

November 2015

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Executive Summary

Milliman has prepared this report for Rural Road Assessment District #3 to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rural Road Assessment District #3.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Rural Road Assessment District #3

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.17%	0.17%	0.17%	0.17%	0.17%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.61%	17.61%	25.25%	13.27%	18.07%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.11%	18.11%	25.75%	13.70%	18.50%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Rural Road Assessment District #3

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$345,239	\$187,998
Allocated pre-SLGRP pooled liability/(surplus)	(38,263)	(47,903)
Transition liability/(surplus)	3,772	3,865
Allocated pooled OPSRP UAL	24,443	17,532
Side account	0	0
Net unfunded pension actuarial accrued liability	335,191	161,492
Combined valuation payroll	213,810	247,950
Net pension UAL as a percentage of payroll	157%	65%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.17%	0.15%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,699	\$3,432
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	99,845	12,421	10.57%	95,102	10,052
Total General Service		99,845	12,421		95,102	10,052
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$99,845	\$12,421		\$95,102	\$10,052
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$3,865
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.17%
B. Actual employer payroll	111,940
C. Payment to transition liability/(surplus)	190
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.17%
B. Actual employer payroll	101,808
C. Payment to transition liability/(surplus)	174
4. Supplemental payment to transition liability	0
5. Interest	271
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$3,772

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	3,772	3,865
2. Combined valuation payroll	213,810	247,950
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.17%	0.15%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	213,810	247,950
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Sandy Fire Department/2551
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Sandy Fire Department/2551

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Sandy Fire Department/2551

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sandy Fire Department -- #2551

November 2015

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Executive Summary

Milliman has prepared this report for Sandy Fire Department to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sandy Fire Department.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Sandy Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.70%	12.44%	20.30%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(6.36%)	(6.36%)	(6.36%)	(6.36%)	(6.36%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.34%	11.08%	18.94%	6.74%	11.54%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.84%	11.58%	19.44%	7.17%	11.97%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Sandy Fire Department

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,582,811	\$748,067
Allocated pre-SLGRP pooled liability/(surplus)	(175,423)	(190,611)
Transition liability/(surplus)	(631,062)	(633,419)
Allocated pooled OPSRP UAL	112,064	69,760
Side account	0	0
Net unfunded pension actuarial accrued liability	888,390	(6,203)
Combined valuation payroll	980,250	986,626
Net pension UAL as a percentage of payroll	91%	(1%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(6.36%)	(6.00%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,792	\$13,656
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	57,367	7,136	10.57%	56,268	5,948
Total General Service		57,367	7,136		56,268	5,948
Tier 1 Police & Fire	21.53%	354,946	76,420	17.62%	334,871	59,004
Tier 2 Police & Fire	19.00%	335,939	63,828	15.63%	400,811	62,647
Total Police & Fire		690,885	140,248		735,682	121,651
Total		\$748,252	\$147,384		\$791,950	\$127,599
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.30%			16.54%
Aggregate (Default)			19.70%			16.11%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$633,419)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.36%)
B. Actual employer payroll	523,620
C. Payment to transition liability/(surplus)	(22,830)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.36%)
B. Actual employer payroll	571,490
C. Payment to transition liability/(surplus)	(24,917)
4. Supplemental payment to transition liability	0
5. Interest	(45,390)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$631,062)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(631,062)	(633,419)
2. Combined valuation payroll	980,250	986,626
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(6.36%)	(6.00%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	980,250	986,626
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Santa Clara Rural Fire Protection District/2544
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Santa Clara Rural Fire Protection District/2544

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Santa Clara Rural Fire Protection District/2544

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Santa Clara Rural Fire Protection District -- #2544

November 2015

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Executive Summary

Milliman has prepared this report for Santa Clara Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Santa Clara Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Santa Clara Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	21.53%	15.16%	21.53%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.29%)	(1.29%)	(1.29%)	(1.29%)	(1.29%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	27.01%	20.64%	27.01%	13.58%	18.38%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	27.51%	21.14%	27.51%	14.01%	18.81%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Santa Clara Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$344,887	\$159,102
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(27,910)	(32,609)
Allocated pooled OPSRP UAL	24,418	14,837
Side account	0	0
Net unfunded pension actuarial accrued liability	341,395	141,330
Combined valuation payroll	213,592	209,840
Net pension UAL as a percentage of payroll	160%	67%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.29%)	(1.45%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,698	\$2,904
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	164,185	35,349	17.62%	161,209	28,405
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		164,185	35,349		161,209	28,405
Total		\$164,185	\$35,349		\$161,209	\$28,405
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			21.53%			17.62%
Aggregate (Default)			21.53%			17.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$32,609)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(3.28%)
B. Actual employer payroll	102,000
C. Payment to transition liability/(surplus)	(3,346)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(3.28%)
B. Actual employer payroll	102,450
C. Payment to transition liability/(surplus)	(3,360)
4. Supplemental payment to transition liability	0
5. Interest	(2,007)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$27,910)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(27,910)	(32,609)
2. Combined valuation payroll	213,592	209,840
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.29%)	(1.45%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	213,592	209,840
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Scappoose Public Library/2709
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Scappoose Public Library/2709

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Scappoose Public Library/2709

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Scappoose Public Library -- #2709

November 2015

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Executive Summary

Milliman has prepared this report for Scappoose Public Library to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Scappoose Public Library.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Scappoose Public Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(7.97%)	(7.97%)	(7.97%)	(7.97%)	(7.97%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.69%	16.69%	18.88%	6.90%	11.70%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.19%	17.19%	19.38%	7.33%	12.13%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Scappoose Public Library

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$232,097	\$96,173
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(115,978)	(126,987)
Allocated pooled OPSRP UAL	16,433	8,969
Side account	0	0
Net unfunded pension actuarial accrued liability	132,552	(21,845)
Combined valuation payroll	143,740	126,842
Net pension UAL as a percentage of payroll	92%	(17%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.97%)	(9.35%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,143	\$1,756
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$58,876	\$10,533	15.39%	\$57,719	\$8,883
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		58,876	10,533		57,719	8,883
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$58,876	\$10,533		\$57,719	\$8,883
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$126,987)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(12.05%)
B. Actual employer payroll	79,341
C. Payment to transition liability/(surplus)	(9,760)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(12.05%)
B. Actual employer payroll	78,024
C. Payment to transition liability/(surplus)	(9,591)
4. Supplemental payment to transition liability	0
5. Interest	(8,342)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$115,978)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(115,978)	(126,987)
2. Combined valuation payroll	143,740	126,842
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(7.97%)	(9.35%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	143,740	126,842
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Scappoose Rural Fire Protection District/2739
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Scappoose Rural Fire Protection District/2739

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Scappoose Rural Fire Protection District/2739

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Scappoose Rural Fire Protection District -- #2739

November 2015

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Executive Summary

Milliman has prepared this report for Scappoose Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Scappoose Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Scappoose Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.75%	15.16%	19.75%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(0.60%)	(0.60%)	(0.60%)	(0.60%)	(0.60%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	24.15%	19.56%	24.15%	12.50%	17.30%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	24.65%	20.06%	24.65%	12.93%	17.73%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Scappoose Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$2,343,188	\$1,093,234
Allocated pre-SLGRP pooled liability/(surplus)	(259,696)	(278,561)
Transition liability/(surplus)	(88,305)	(92,263)
Allocated pooled OPSRP UAL	165,899	101,949
Side account	0	0
Net unfunded pension actuarial accrued liability	2,161,086	824,359
Combined valuation payroll	1,451,159	1,441,866
Net pension UAL as a percentage of payroll	149%	57%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(0.60%)	(0.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$11,535	\$19,957
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	299,206	64,419	17.62%	360,901	63,591
Tier 2 Police & Fire	19.00%	716,068	136,053	15.63%	672,777	105,155
Total Police & Fire		1,015,274	200,472		1,033,678	168,746
Total		\$1,015,274	\$200,472		\$1,033,678	\$168,746
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.75%			16.32%
Aggregate (Default)			19.75%			16.32%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$92,263)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.74%)
B. Actual employer payroll	694,881
C. Payment to transition liability/(surplus)	(5,142)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.74%)
B. Actual employer payroll	698,280
C. Payment to transition liability/(surplus)	(5,167)
4. Supplemental payment to transition liability	0
5. Interest	(6,351)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$88,305)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(88,305)	(92,263)
2. Combined valuation payroll	1,451,159	1,441,866
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.60%)	(0.60%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,451,159	1,441,866
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Scio Fire District/2605
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Scio Fire District/2605

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Scio Fire District/2605

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Scio Fire District -- #2605

November 2015

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Executive Summary

Milliman has prepared this report for Scio Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Scio Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Scio Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	20.45%	17.89%	21.53%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(14.60%)	(14.60%)	(14.60%)	(14.60%)	(14.60%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.62%	10.06%	13.70%	0.27%	5.07%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	13.12%	10.56%	14.20%	0.70%	5.50%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Scio Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$159,311	\$23,632
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(145,732)	(148,324)
Allocated pooled OPSRP UAL	11,279	2,204
Side account	0	0
Net unfunded pension actuarial accrued liability	24,858	(122,488)
Combined valuation payroll	98,663	31,168
Net pension UAL as a percentage of payroll	25%	(393%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(14.60%)	(44.46%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$784	\$431
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$29,201	\$5,224	15.39%	\$31,168	\$4,797
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		29,201	5,224		31,168	4,797
Tier 1 Police & Fire	21.53%	69,462	14,955	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		69,462	14,955		0	0
Total		\$98,663	\$20,179		\$31,168	\$4,797
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			21.53%			16.51%
Aggregate (Default)			20.45%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$148,324)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(13.79%)
B. Actual employer payroll	43,391
C. Payment to transition liability/(surplus)	(5,984)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(13.79%)
B. Actual employer payroll	51,415
C. Payment to transition liability/(surplus)	(7,090)
4. Supplemental payment to transition liability	0
5. Interest	(10,482)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$145,732)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(145,732)	(148,324)
2. Combined valuation payroll	98,663	31,168
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(14.60%)	(44.46%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	98,663	31,168
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Seal Rock Rural Fire Protection District/2786
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Seal Rock Rural Fire Protection District/2786

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Seal Rock Rural Fire Protection District/2786

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Seal Rock Rural Fire Protection District -- #2786

November 2015

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Executive Summary

Milliman has prepared this report for Seal Rock Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Seal Rock Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Seal Rock Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.00%	15.16%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(8.89%)	(8.89%)	(8.89%)	(8.89%)	(8.89%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.11%	11.27%	15.11%	4.21%	9.01%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	15.61%	11.77%	15.61%	4.64%	9.44%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Seal Rock Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$101,067	\$47,476
Allocated pre-SLGRP pooled liability/(surplus)	(11,201)	(12,097)
Transition liability/(surplus)	(56,302)	(60,412)
Allocated pooled OPSRP UAL	7,156	4,427
Side account	0	0
Net unfunded pension actuarial accrued liability	40,720	(20,606)
Combined valuation payroll	62,592	62,616
Net pension UAL as a percentage of payroll	65%	(33%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(8.89%)	(9.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$498	\$867
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	62,592	11,892	15.63%	62,616	9,787
Total Police & Fire		62,592	11,892		62,616	9,787
Total		\$62,592	\$11,892		\$62,616	\$9,787
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.00%			15.63%
Aggregate (Default)			19.00%			15.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$60,412)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(13.60%)
B. Actual employer payroll	30,000
C. Payment to transition liability/(surplus)	(4,080)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(13.60%)
B. Actual employer payroll	30,000
C. Payment to transition liability/(surplus)	(4,080)
4. Supplemental payment to transition liability	0
5. Interest	(4,050)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$56,302)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(56,302)	(60,412)
2. Combined valuation payroll	62,592	62,616
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(8.89%)	(9.01%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	62,592	62,616
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Seal Rock Water District/2734
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Seal Rock Water District/2734

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Seal Rock Water District/2734

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Seal Rock Water District -- #2734

November 2015

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Executive Summary

Milliman has prepared this report for Seal Rock Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Seal Rock Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Seal Rock Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.75%	14.75%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.53%)	(5.53%)	(5.53%)	(5.53%)	(5.53%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.99%	15.99%	21.32%	9.34%	14.14%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.49%	16.49%	21.82%	9.77%	14.57%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Seal Rock Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$713,263	\$321,885
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(246,981)	(264,498)
Allocated pooled OPSRP UAL	50,499	30,017
Side account	0	0
Net unfunded pension actuarial accrued liability	516,781	87,404
Combined valuation payroll	441,731	424,534
Net pension UAL as a percentage of payroll	117%	21%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.53%)	(5.82%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,511	\$5,876
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$90,795	\$16,243	15.39%	\$51,185	\$7,877
Tier 2 General Service	12.44%	123,503	15,364	10.57%	118,065	12,479
Total General Service		214,298	31,607		169,250	20,356
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$214,298	\$31,607		\$169,250	\$20,356
Employer normal cost rate						
General Service			14.75%			12.03%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.75%			12.03%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$264,498)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(8.19%)
B. Actual employer payroll	218,028
C. Payment to transition liability/(surplus)	(17,856)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(8.19%)
B. Actual employer payroll	212,760
C. Payment to transition liability/(surplus)	(17,425)
4. Supplemental payment to transition liability	0
5. Interest	(17,764)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$246,981)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(246,981)	(264,498)
2. Combined valuation payroll	441,731	424,534
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.53%)	(5.82%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	441,731	424,534
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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November 2015

Sheridan Fire District/2630
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Sheridan Fire District/2630

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Sheridan Fire District/2630

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sheridan Fire District -- #2630

November 2015

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Executive Summary

Milliman has prepared this report for Sheridan Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sheridan Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Sheridan Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	21.19%	17.88%	21.53%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.95%)	(5.95%)	(5.95%)	(5.95%)	(5.95%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.01%	18.70%	22.35%	8.92%	13.72%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	22.51%	19.20%	22.85%	9.35%	14.15%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Sheridan Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$421,411	\$225,919
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(157,080)	(157,957)
Allocated pooled OPSRP UAL	29,836	21,068
Side account	0	0
Net unfunded pension actuarial accrued liability	294,167	89,030
Combined valuation payroll	260,984	297,964
Net pension UAL as a percentage of payroll	113%	30%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.95%)	(4.95%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,074	\$4,124
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$6,509	\$1,164	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		6,509	1,164		0	0
Tier 1 Police & Fire	21.53%	63,977	13,774	17.62%	59,307	10,450
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		63,977	13,774		59,307	10,450
Total		\$70,486	\$14,938		\$59,307	\$10,450
Employer normal cost rate						
General Service			17.88%			13.02%
Police & Fire			21.53%			17.62%
Aggregate (Default)			21.19%			17.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$157,957)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(5.64%)
B. Actual employer payroll	108,417
C. Payment to transition liability/(surplus)	(6,115)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(5.64%)
B. Actual employer payroll	107,456
C. Payment to transition liability/(surplus)	(6,060)
4. Supplemental payment to transition liability	0
5. Interest	(11,298)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$157,080)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(157,080)	(157,957)
2. Combined valuation payroll	260,984	297,964
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.95%)	(4.95%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	260,984	297,964
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Sherman County/2016
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Sherman County/2016

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Sherman County/2016

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sherman County -- #2016

November 2015

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Executive Summary

Milliman has prepared this report for Sherman County to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sherman County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Sherman County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.90%	14.60%	20.10%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	1.68%	1.68%	1.68%	1.68%	1.68%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.58%	21.28%	26.78%	14.78%	19.58%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.08%	21.78%	27.28%	15.21%	20.01%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Sherman County

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$3,655,142	\$1,648,158
Allocated pre-SLGRP pooled liability/(surplus)	(405,101)	(419,958)
Transition liability/(surplus)	384,510	396,445
Allocated pooled OPSRP UAL	258,786	153,698
Side account	0	0
Net unfunded pension actuarial accrued liability	3,893,337	1,778,343
Combined valuation payroll	2,263,665	2,173,756
Net pension UAL as a percentage of payroll	172%	82%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	1.68%	1.70%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$17,993	\$30,087
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$418,179	\$74,812	15.39%	\$400,558	\$61,646
Tier 2 General Service	12.44%	636,185	79,141	10.57%	618,643	65,391
Total General Service		1,054,364	153,953		1,019,201	127,037
Tier 1 Police & Fire	21.53%	141,378	30,439	17.62%	137,810	24,282
Tier 2 Police & Fire	19.00%	182,982	34,767	15.63%	144,666	22,611
Total Police & Fire		324,360	65,206		282,476	46,893
Total		\$1,378,724	\$219,159		\$1,301,677	\$173,930
Employer normal cost rate						
General Service			14.60%			12.46%
Police & Fire			20.10%			16.60%
Aggregate (Default)			15.90%			13.36%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$396,445
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	1.70%
B. Actual employer payroll	1,163,812
C. Payment to transition liability/(surplus)	19,785
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	1.70%
B. Actual employer payroll	1,165,075
C. Payment to transition liability/(surplus)	19,806
4. Supplemental payment to transition liability	0
5. Interest	27,656
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$384,510

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	384,510	396,445
2. Combined valuation payroll	2,263,665	2,173,756
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	1.68%	1.70%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,263,665	2,173,756
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Silver Falls Library District/2790
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Silver Falls Library District/2790

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Silver Falls Library District/2790

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Silver Falls Library District -- #2790

November 2015

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Executive Summary

Milliman has prepared this report for Silver Falls Library District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Silver Falls Library District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Silver Falls Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.25%	13.25%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.98%)	(2.98%)	(2.98%)	(2.98%)	(2.98%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.04%	17.04%	23.87%	11.89%	16.69%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.54%	17.54%	24.37%	12.32%	17.12%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Silver Falls Library District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$507,710	\$304,169
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(94,747)	(98,546)
Allocated pooled OPSRP UAL	35,946	28,365
Side account	0	0
Net unfunded pension actuarial accrued liability	448,909	233,988
Combined valuation payroll	314,430	401,168
Net pension UAL as a percentage of payroll	143%	58%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.98%)	(2.30%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,499	\$5,553
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$25,288	\$4,524	15.39%	\$53,838	\$8,286
Tier 2 General Service	12.44%	144,831	18,017	10.57%	140,061	14,804
Total General Service		170,119	22,541		193,899	23,090
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$170,119	\$22,541		\$193,899	\$23,090
Employer normal cost rate						
General Service			13.25%			11.91%
Police & Fire			20.08%			16.51%
Aggregate (Default)			13.25%			11.91%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$98,546)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.68%)
B. Actual employer payroll	206,313
C. Payment to transition liability/(surplus)	(5,529)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.68%)
B. Actual employer payroll	189,715
C. Payment to transition liability/(surplus)	(5,085)
4. Supplemental payment to transition liability	0
5. Interest	(6,815)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$94,747)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(94,747)	(98,546)
2. Combined valuation payroll	314,430	401,168
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.98%)	(2.30%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	314,430	401,168
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Silverton Fire District/2659
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Silverton Fire District/2659

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Silverton Fire District/2659

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Silverton Fire District -- #2659

November 2015

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Executive Summary

Milliman has prepared this report for Silverton Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Silverton Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Silverton Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	20.44%	17.89%	20.46%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.94%)	(2.94%)	(2.94%)	(2.94%)	(2.94%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.50%	19.95%	22.52%	10.16%	14.96%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.00%	20.45%	23.02%	10.59%	15.39%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Silverton Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$593,640	\$321,589
Allocated pre-SLGRP pooled liability/(surplus)	(65,793)	(81,942)
Transition liability/(surplus)	(109,303)	(112,598)
Allocated pooled OPSRP UAL	42,030	29,990
Side account	0	0
Net unfunded pension actuarial accrued liability	460,574	157,039
Combined valuation payroll	367,647	424,144
Net pension UAL as a percentage of payroll	125%	37%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.94%)	(2.48%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,922	\$5,871
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$3,069	\$549	15.39%	\$55,125	\$8,484
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		3,069	549		55,125	8,484
Tier 1 Police & Fire	21.53%	210,068	45,228	17.62%	207,794	36,613
Tier 2 Police & Fire	19.00%	154,510	29,357	15.63%	161,225	25,199
Total Police & Fire		364,578	74,585		369,019	61,812
Total		\$367,647	\$75,134		\$424,144	\$70,296
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.46%			16.75%
Aggregate (Default)			20.44%			16.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$112,598)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.76%)
B. Actual employer payroll	201,362
C. Payment to transition liability/(surplus)	(5,558)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.76%)
B. Actual employer payroll	202,886
C. Payment to transition liability/(surplus)	(5,599)
4. Supplemental payment to transition liability	0
5. Interest	(7,862)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$109,303)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(109,303)	(112,598)
2. Combined valuation payroll	367,647	424,144
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.94%)	(2.48%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	367,647	424,144
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Siuslaw Public Library/2692
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Siuslaw Public Library/2692

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Siuslaw Public Library/2692

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Siuslaw Public Library -- #2692

November 2015

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Executive Summary

Milliman has prepared this report for Siuslaw Public Library to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Siuslaw Public Library.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Siuslaw Public Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.16%	14.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.11%)	(2.11%)	(2.11%)	(2.11%)	(2.11%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.05%	17.05%	22.97%	10.99%	15.79%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.55%	17.55%	23.47%	11.42%	16.22%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Siuslaw Public Library

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$626,196	\$231,515
Allocated pre-SLGRP pooled liability/(surplus)	(69,401)	(58,991)
Transition liability/(surplus)	(82,808)	(83,680)
Allocated pooled OPSRP UAL	44,335	21,590
Side account	0	0
Net unfunded pension actuarial accrued liability	518,322	110,434
Combined valuation payroll	387,809	305,345
Net pension UAL as a percentage of payroll	134%	36%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.11%)	(2.56%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,083	\$4,226
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$85,551	\$15,305	15.39%	\$83,597	\$12,866
Tier 2 General Service	12.44%	185,896	23,125	10.57%	181,933	19,230
Total General Service		271,447	38,430		265,530	32,096
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$271,447	\$38,430		\$265,530	\$32,096
Employer normal cost rate						
General Service			14.16%			12.09%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.16%			12.09%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$83,680)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.98%)
B. Actual employer payroll	157,565
C. Payment to transition liability/(surplus)	(3,120)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.98%)
B. Actual employer payroll	187,275
C. Payment to transition liability/(surplus)	(3,708)
4. Supplemental payment to transition liability	0
5. Interest	(5,956)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$82,808)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(82,808)	(83,680)
2. Combined valuation payroll	387,809	305,345
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.11%)	(2.56%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	387,809	305,345
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Siuslaw Rural Fire Protection District #1/2794
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Siuslaw Rural Fire Protection District #1/2794

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Siuslaw Rural Fire Protection District #1/2794

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Siuslaw Rural Fire Protection District #1 -- #2794

November 2015

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Executive Summary

Milliman has prepared this report for Siuslaw Rural Fire Protection District #1 to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Siuslaw Rural Fire Protection District #1.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Siuslaw Rural Fire Protection District #1

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	21.28%	17.85%	21.30%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(0.52%)	(0.52%)	(0.52%)	(0.52%)	(0.52%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	27.53%	24.10%	27.55%	14.35%	19.15%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	28.03%	24.60%	28.05%	14.78%	19.58%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Siuslaw Rural Fire Protection District #1

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$893,429	\$297,038
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(29,221)	(33,761)
Allocated pooled OPSRP UAL	63,255	27,700
Side account	0	0
Net unfunded pension actuarial accrued liability	927,463	290,977
Combined valuation payroll	553,309	391,763
Net pension UAL as a percentage of payroll	168%	74%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.52%)	(0.81%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,398	\$5,422
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$902	\$161	15.39%	\$888	\$137
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		902	161		888	137
Tier 1 Police & Fire	21.53%	174,465	37,562	17.62%	172,652	30,421
Tier 2 Police & Fire	19.00%	17,589	3,342	15.63%	2,750	430
Total Police & Fire		192,054	40,904		175,402	30,851
Total		\$192,956	\$41,065		\$176,290	\$30,988
Employer normal cost rate						
General Service			17.85%			15.43%
Police & Fire			21.30%			17.59%
Aggregate (Default)			21.28%			17.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$33,761)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.55%)
B. Actual employer payroll	169,553
C. Payment to transition liability/(surplus)	(2,628)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.55%)
B. Actual employer payroll	259,006
C. Payment to transition liability/(surplus)	(4,014)
4. Supplemental payment to transition liability	0
5. Interest	(2,102)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$29,221)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(29,221)	(33,761)
2. Combined valuation payroll	553,309	391,763
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.52%)	(0.81%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	553,309	391,763
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

South Suburban Sanitary District/2599
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
South Suburban Sanitary District/2599

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
South Suburban Sanitary District/2599

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

South Suburban Sanitary District -- #2599

November 2015

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Executive Summary

Milliman has prepared this report for South Suburban Sanitary District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to South Suburban Sanitary District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for South Suburban Sanitary District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.80%	15.80%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.98%)	(1.98%)	(1.98%)	(1.98%)	(1.98%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.59%	20.59%	24.87%	12.89%	17.69%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.09%	21.09%	25.37%	13.32%	18.12%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

South Suburban Sanitary District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,149,512	\$519,496
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(142,738)	(147,538)
Allocated pooled OPSRP UAL	81,386	48,445
Side account	0	0
Net unfunded pension actuarial accrued liability	1,088,160	420,403
Combined valuation payroll	711,904	685,164
Net pension UAL as a percentage of payroll	153%	61%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.98%)	(2.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$5,659	\$9,483
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$186,355	\$33,339	15.39%	\$184,723	\$28,429
Tier 2 General Service	12.44%	116,218	14,458	10.57%	115,032	12,159
Total General Service		302,573	47,797		299,755	40,588
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$302,573	\$47,797		\$299,755	\$40,588
Employer normal cost rate						
General Service			15.80%			13.54%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.80%			13.54%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$147,538)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.22%)
B. Actual employer payroll	332,664
C. Payment to transition liability/(surplus)	(7,385)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.22%)
B. Actual employer payroll	346,046
C. Payment to transition liability/(surplus)	(7,682)
4. Supplemental payment to transition liability	0
5. Interest	(10,267)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$142,738)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(142,738)	(147,538)
2. Combined valuation payroll	711,904	685,164
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.98%)	(2.01%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	711,904	685,164
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Southwest Lincoln County Water District/2766
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Southwest Lincoln County Water District/2766

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Southwest Lincoln County Water District/2766

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Southwest Lincoln County Water District -- #2766

November 2015

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Executive Summary

Milliman has prepared this report for Southwest Lincoln County Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Southwest Lincoln County Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Southwest Lincoln County Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.46%	13.46%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(1.48%)	(1.48%)	(1.48%)	(1.48%)	(1.48%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.98%	16.98%	23.60%	11.62%	16.42%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.48%	17.48%	24.10%	12.05%	16.85%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Southwest Lincoln County Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$409,774	\$170,632
Allocated pre-SLGRP pooled liability/(surplus)	(45,415)	(43,478)
Transition liability/(surplus)	(38,029)	(38,452)
Allocated pooled OPSRP UAL	29,012	15,912
Side account	0	0
Net unfunded pension actuarial accrued liability	355,342	104,614
Combined valuation payroll	253,777	225,046
Net pension UAL as a percentage of payroll	140%	46%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(1.48%)	(1.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,017	\$3,115
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$40,519	\$7,249	15.39%	\$55,214	\$8,497
Tier 2 General Service	12.44%	175,975	21,891	10.57%	169,832	17,951
Total General Service		216,494	29,140		225,046	26,448
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$216,494	\$29,140		\$225,046	\$26,448
Employer normal cost rate						
General Service			13.46%			11.75%
Police & Fire			20.08%			16.51%
Aggregate (Default)			13.46%			11.75%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$38,452)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.25%)
B. Actual employer payroll	127,186
C. Payment to transition liability/(surplus)	(1,590)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.25%)
B. Actual employer payroll	125,483
C. Payment to transition liability/(surplus)	(1,568)
4. Supplemental payment to transition liability	0
5. Interest	(2,735)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$38,029)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(38,029)	(38,452)
2. Combined valuation payroll	253,777	225,046
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.48%)	(1.60%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	253,777	225,046
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Southwestern Community College/2998
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Southwestern Community College/2998

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Southwestern Community College/2998

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Southwestern Community College -- #2998

November 2015

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Executive Summary

Milliman has prepared this report for Southwestern Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Southwestern Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Southwestern Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(11.48%)	(11.48%)	(11.48%)	(11.48%)	(11.48%)
Net pension contribution rate	11.97%	11.97%	17.15%	5.17%	9.97%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	12.47%	12.47%	17.65%	5.60%	10.40%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Southwestern Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$16,810,905	\$7,876,221
Allocated pre-SLGRP pooled liability/(surplus)	1,878,515	2,055,369
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	1,190,222	734,491
Side account	12,098,242	12,209,955
Net unfunded pension actuarial accrued liability	7,781,400	(1,543,874)
Combined valuation payroll	10,411,157	10,387,949
Net pension UAL as a percentage of payroll	75%	(15%)
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(11.48%)	(10.98%)
Allocated pooled RHIA UAL	\$82,754	\$143,780
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$12,209,955	\$12,209,955
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(986,962)	(986,962)
5. Side account earnings during 2014		876,249	876,249
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$12,098,242	\$12,098,242

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$12,098,242	\$12,209,955
Side Account 2	0	0
Side Account 3	0	0
Total	\$12,098,242	\$12,209,955

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$12,098,242	\$12,209,955
2. Combined valuation payroll	10,411,157	10,387,949
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(11.48%)	(10.98%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

State Agencies/1000
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
State Agencies/1000

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
State Agencies/1000

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

State Agencies -- #1000

November 2015

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Executive Summary

Milliman has prepared this report for State Agencies to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to State Agencies.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for State Agencies

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.01%	15.27%	20.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(7.55%)	(7.55%)	(7.55%)	(7.55%)	(7.55%)
Net pension contribution rate	17.01%	16.27%	21.00%	9.10%	13.90%
Retiree Healthcare					
Normal cost rate	0.18%	0.18%	0.18%	0.00%	0.00%
UAL rate	0.82%	0.82%	0.82%	0.82%	0.82%
Net retiree healthcare rate	1.00%	1.00%	1.00%	0.82%	0.82%
Total net employer contribution rate	18.01%	17.27%	22.00%	9.92%	14.72%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.27%	0.20%	0.20%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.44%	0.35%	0.35%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

State Agencies

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$4,352,453,482	\$1,903,135,717
Allocated pre-SLGRP pooled liability/(surplus)	486,359,847	496,640,001
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	308,156,262	177,475,531
Side account	2,057,985,033	2,089,608,373
Net unfunded pension actuarial accrued liability	3,088,984,558	487,642,876
Combined valuation payroll	2,695,516,858	2,510,045,990
Net pension UAL as a percentage of payroll	115%	19%
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(7.55%)	(7.78%)
Allocated pooled RHIA UAL	\$21,425,553	\$34,741,721
Allocated pooled RHIPA UAL	\$62,789,331	\$55,443,206

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$605,594,603	\$108,340,874	15.39%	\$631,382,115	\$97,169,707
Tier 2 General Service	12.44%	561,238,015	69,818,009	10.57%	557,884,855	58,968,429
Total General Service		1,166,832,618	178,158,883		1,189,266,970	156,138,136
Tier 1 Police & Fire	21.53%	85,446,134	18,396,553	17.62%	92,728,835	16,338,821
Tier 2 Police & Fire	19.00%	130,608,940	24,815,699	15.63%	131,028,767	20,479,796
Total Police & Fire		216,055,074	43,212,252		223,757,602	36,818,617
Total		\$1,382,887,692	\$221,371,135		\$1,413,024,572	\$192,956,753
Employer normal cost rate						
General Service			15.27%			13.13%
Police & Fire			20.00%			16.45%
Aggregate (Default)			16.01%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	2,695,516,858	2,510,045,990
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$2,089,608,373	\$2,089,608,373
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(181,179,529)	(181,179,529)
5. Side account earnings during 2014		149,557,188	149,557,188
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$2,057,985,033	\$2,057,985,033

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$2,057,985,033	\$2,089,608,373
Side Account 2	0	0
Side Account 3	0	0
Total	\$2,057,985,033	\$2,089,608,373

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$2,057,985,033	\$2,089,608,373
2. Combined valuation payroll	2,695,516,858	2,510,045,990
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(7.55%)	(7.78%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Stayton Fire District/2696
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Stayton Fire District/2696

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Stayton Fire District/2696

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Stayton Fire District -- #2696

November 2015

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for Stayton Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Stayton Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Stayton Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	18.32%	12.44%	19.57%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.53%)	(1.53%)	(1.53%)	(1.53%)	(1.53%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.56%	17.68%	24.81%	13.34%	18.14%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	24.06%	18.18%	25.31%	13.77%	18.57%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Stayton Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$768,423	\$351,024
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(73,542)	(76,718)
Allocated pooled OPSRP UAL	54,405	32,734
Side account	0	0
Net unfunded pension actuarial accrued liability	749,286	307,040
Combined valuation payroll	475,892	462,965
Net pension UAL as a percentage of payroll	157%	66%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.53%)	(1.55%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,783	\$6,408
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	55,191	6,866	10.57%	53,250	5,629
Total General Service		55,191	6,866		53,250	5,629
Tier 1 Police & Fire	21.53%	58,297	12,551	17.62%	56,330	9,925
Tier 2 Police & Fire	19.00%	201,929	38,367	15.63%	199,329	31,155
Total Police & Fire		260,226	50,918		255,659	41,080
Total		\$315,417	\$57,784		\$308,909	\$46,709
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			19.57%			16.07%
Aggregate (Default)			18.32%			15.12%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$76,718)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.87%)
B. Actual employer payroll	217,298
C. Payment to transition liability/(surplus)	(4,063)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.87%)
B. Actual employer payroll	235,416
C. Payment to transition liability/(surplus)	(4,403)
4. Supplemental payment to transition liability	0
5. Interest	(5,290)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$73,542)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(73,542)	(76,718)
2. Combined valuation payroll	475,892	462,965
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.53%)	(1.55%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	475,892	462,965
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Sublimity Fire District/2799
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Sublimity Fire District/2799

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Sublimity Fire District/2799

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sublimity Fire District -- #2799

November 2015

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Executive Summary

Milliman has prepared this report for Sublimity Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sublimity Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Sublimity Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(10.40%)	(10.40%)	(10.40%)	(10.40%)	(10.40%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	8.81%	8.81%	16.45%	4.47%	9.27%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	9.31%	9.31%	16.95%	4.90%	9.70%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Sublimity Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$162,466	\$137,532
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(105,871)	(105,262)
Allocated pooled OPSRP UAL	11,503	12,825
Side account	0	0
Net unfunded pension actuarial accrued liability	68,098	45,095
Combined valuation payroll	100,617	181,391
Net pension UAL as a percentage of payroll	68%	25%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.40%)	(5.42%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$800	\$2,511
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	34,278	4,264	10.57%	33,483	3,539
Total General Service		34,278	4,264		33,483	3,539
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	85,940	13,432
Total Police & Fire		0	0		85,940	13,432
Total		\$34,278	\$4,264		\$119,423	\$16,971
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			15.63%
Aggregate (Default)			12.44%			14.21%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$105,262)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(6.22%)
B. Actual employer payroll	63,524
C. Payment to transition liability/(surplus)	(3,951)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(6.22%)
B. Actual employer payroll	49,109
C. Payment to transition liability/(surplus)	(3,055)
4. Supplemental payment to transition liability	0
5. Interest	(7,615)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$105,871)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(105,871)	(105,262)
2. Combined valuation payroll	100,617	181,391
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(10.40%)	(5.42%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	100,617	181,391
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Suburban East Salem Water District/2641
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Suburban East Salem Water District/2641

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Suburban East Salem Water District/2641

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Suburban East Salem Water District -- #2641

November 2015

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Executive Summary

Milliman has prepared this report for Suburban East Salem Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Suburban East Salem Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Suburban East Salem Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.54%	15.54%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.29%)	(2.29%)	(2.29%)	(2.29%)	(2.29%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.02%	20.02%	24.56%	12.58%	17.38%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	20.52%	20.52%	25.06%	13.01%	17.81%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Suburban East Salem Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$517,925	\$238,046
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(74,269)	(75,200)
Allocated pooled OPSRP UAL	36,669	22,199
Side account	0	0
Net unfunded pension actuarial accrued liability	480,325	185,045
Combined valuation payroll	320,756	313,959
Net pension UAL as a percentage of payroll	150%	59%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.29%)	(2.24%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,550	\$4,346
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$130,873	\$23,413	15.39%	\$125,291	\$19,282
Tier 2 General Service	12.44%	98,940	12,308	10.57%	91,209	9,641
Total General Service		229,813	35,721		216,500	28,923
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$229,813	\$35,721		\$216,500	\$28,923
Employer normal cost rate						
General Service			15.54%			13.36%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.54%			13.36%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$75,200)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.10%)
B. Actual employer payroll	149,542
C. Payment to transition liability/(surplus)	(3,140)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.10%)
B. Actual employer payroll	149,176
C. Payment to transition liability/(surplus)	(3,133)
4. Supplemental payment to transition liability	0
5. Interest	(5,342)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$74,269)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(74,269)	(75,200)
2. Combined valuation payroll	320,756	313,959
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.29%)	(2.24%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	320,756	313,959
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Sunriver Service District/2857
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Sunriver Service District/2857

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Sunriver Service District/2857

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sunriver Service District -- #2857

November 2015

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Executive Summary

Milliman has prepared this report for Sunriver Service District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sunriver Service District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Sunriver Service District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	18.59%	12.44%	19.21%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(7.84%)	(7.84%)	(7.84%)	(7.84%)	(7.84%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.52%	11.37%	18.14%	7.03%	11.83%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.02%	11.87%	18.64%	7.46%	12.26%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Sunriver Service District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$3,086,883	\$1,468,671
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,515,798)	(1,523,502)
Allocated pooled OPSRP UAL	218,553	136,960
Side account	0	0
Net unfunded pension actuarial accrued liability	1,789,638	82,129
Combined valuation payroll	1,911,737	1,937,031
Net pension UAL as a percentage of payroll	94%	4%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.84%)	(7.35%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$15,196	\$26,811
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	123,817	15,403	10.57%	121,489	12,841
Total General Service		123,817	15,403		121,489	12,841
Tier 1 Police & Fire	21.53%	104,107	22,414	17.62%	112,468	19,817
Tier 2 Police & Fire	19.00%	1,125,055	213,760	15.63%	1,280,605	200,159
Total Police & Fire		1,229,162	236,174		1,393,073	219,976
Total		\$1,352,979	\$251,577		\$1,514,562	\$232,817
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			19.21%			15.79%
Aggregate (Default)			18.59%			15.37%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,523,502)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(6.50%)
B. Actual employer payroll	879,034
C. Payment to transition liability/(surplus)	(57,137)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(6.50%)
B. Actual employer payroll	916,784
C. Payment to transition liability/(surplus)	(59,592)
4. Supplemental payment to transition liability	0
5. Interest	(109,025)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,515,798)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,515,798)	(1,523,502)
2. Combined valuation payroll	1,911,737	1,937,031
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(7.84%)	(7.35%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,911,737	1,937,031
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Sutherlin Water Control District/2810
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Sutherlin Water Control District/2810

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Sutherlin Water Control District/2810

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sutherlin Water Control District -- #2810

November 2015

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Executive Summary

Milliman has prepared this report for Sutherlin Water Control District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sutherlin Water Control District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Sutherlin Water Control District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(1.59%)	(1.59%)	(1.59%)	(1.59%)	(1.59%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.46%	18.57%	23.49%	11.51%	16.31%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	19.96%	19.07%	23.99%	11.94%	16.74%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Sutherlin Water Control District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$90,060	\$40,591
Allocated pre-SLGRP pooled liability/(surplus)	(9,981)	(10,343)
Transition liability/(surplus)	(8,983)	(9,210)
Allocated pooled OPSRP UAL	6,376	3,785
Side account	0	0
Net unfunded pension actuarial accrued liability	77,472	24,823
Combined valuation payroll	55,775	53,535
Net pension UAL as a percentage of payroll	139%	46%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(1.59%)	(1.61%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$443	\$741
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$9,210)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.64%)
B. Actual employer payroll	26,006
C. Payment to transition liability/(surplus)	(426)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.64%)
B. Actual employer payroll	27,255
C. Payment to transition liability/(surplus)	(447)
4. Supplemental payment to transition liability	0
5. Interest	(646)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$8,983)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(8,983)	(9,210)
2. Combined valuation payroll	55,775	53,535
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.59%)	(1.61%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	55,775	53,535
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Sweet Home Fire and Ambulance District/2847
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Sweet Home Fire and Ambulance District/2847

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Sweet Home Fire and Ambulance District/2847

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sweet Home Fire and Ambulance District -- #2847

November 2015

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Executive Summary

Milliman has prepared this report for Sweet Home Fire and Ambulance District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sweet Home Fire and Ambulance District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Sweet Home Fire and Ambulance District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	20.53%	15.16%	20.53%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(1.01%)	(1.01%)	(1.01%)	(1.01%)	(1.01%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	24.52%	19.15%	24.52%	12.09%	16.89%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	25.02%	19.65%	25.02%	12.52%	17.32%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Sweet Home Fire and Ambulance District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,382,882	\$596,300
Allocated pre-SLGRP pooled liability/(surplus)	(153,265)	(151,940)
Transition liability/(surplus)	(87,439)	(89,072)
Allocated pooled OPSRP UAL	97,909	55,608
Side account	0	0
Net unfunded pension actuarial accrued liability	1,240,087	410,896
Combined valuation payroll	856,432	786,460
Net pension UAL as a percentage of payroll	145%	52%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(1.01%)	(1.06%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,807	\$10,885
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	261,137	56,223	17.62%	258,632	45,571
Tier 2 Police & Fire	19.00%	171,471	32,579	15.63%	163,596	25,570
Total Police & Fire		432,608	88,802		422,228	71,141
Total		\$432,608	\$88,802		\$422,228	\$71,141
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.53%			16.85%
Aggregate (Default)			20.53%			16.85%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$89,072)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.95%)
B. Actual employer payroll	386,486
C. Payment to transition liability/(surplus)	(3,672)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.95%)
B. Actual employer payroll	447,464
C. Payment to transition liability/(surplus)	(4,250)
4. Supplemental payment to transition liability	0
5. Interest	(6,289)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$87,439)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(87,439)	(89,072)
2. Combined valuation payroll	856,432	786,460
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(1.01%)	(1.06%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	856,432	786,460
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Talent Irrigation District/2582
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Talent Irrigation District/2582

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Talent Irrigation District/2582

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Talent Irrigation District -- #2582

November 2015

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Executive Summary

Milliman has prepared this report for Talent Irrigation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Talent Irrigation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Talent Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.85%	16.85%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	1.27%	1.27%	1.27%	1.27%	1.27%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.12%	23.12%	26.35%	14.37%	19.17%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.62%	23.62%	26.85%	14.80%	19.60%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Talent Irrigation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$848,170	\$424,541
Allocated pre-SLGRP pooled liability/(surplus)	(94,003)	(108,175)
Transition liability/(surplus)	67,325	70,029
Allocated pooled OPSRP UAL	60,051	39,590
Side account	0	0
Net unfunded pension actuarial accrued liability	881,543	425,985
Combined valuation payroll	525,280	559,927
Net pension UAL as a percentage of payroll	168%	76%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	1.27%	1.17%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,175	\$7,750
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$374,316	\$66,965	15.39%	\$368,730	\$56,748
Tier 2 General Service	12.44%	88,359	10,992	10.57%	86,613	9,155
Total General Service		462,675	77,957		455,343	65,903
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$462,675	\$77,957		\$455,343	\$65,903
Employer normal cost rate						
General Service			16.85%			14.47%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.85%			14.47%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$70,029
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	1.35%
B. Actual employer payroll	277,233
C. Payment to transition liability/(surplus)	3,743
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	1.35%
B. Actual employer payroll	281,739
C. Payment to transition liability/(surplus)	3,803
4. Supplemental payment to transition liability	0
5. Interest	4,842
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$67,325

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	67,325	70,029
2. Combined valuation payroll	525,280	559,927
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	1.27%	1.17%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	525,280	559,927
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Tangent Rural Fire Protection District/2553
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Tangent Rural Fire Protection District/2553

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Tangent Rural Fire Protection District/2553

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tangent Rural Fire Protection District -- #2553

November 2015

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Executive Summary

Milliman has prepared this report for Tangent Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tangent Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Tangent Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	21.53%	15.16%	21.53%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	12.66%	12.66%	12.66%	12.66%	12.66%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	40.96%	34.59%	40.96%	27.53%	32.33%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	41.46%	35.09%	41.46%	27.96%	32.76%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Tangent Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$234,679	\$103,669
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	227,211	228,574
Allocated pooled OPSRP UAL	16,615	9,669
Side account	0	0
Net unfunded pension actuarial accrued liability	478,505	341,912
Combined valuation payroll	145,339	136,748
Net pension UAL as a percentage of payroll	329%	250%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	12.66%	13.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,155	\$1,893
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	6,945	1,495	17.62%	7,537	1,328
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		6,945	1,495		7,537	1,328
Total		\$6,945	\$1,495		\$7,537	\$1,328
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			21.53%			17.62%
Aggregate (Default)			21.53%			17.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$228,574
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	13.00%
B. Actual employer payroll	66,544
C. Payment to transition liability/(surplus)	8,651
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	13.00%
B. Actual employer payroll	69,649
C. Payment to transition liability/(surplus)	9,054
4. Supplemental payment to transition liability	0
5. Interest	16,342
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$227,211

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	227,211	228,574
2. Combined valuation payroll	145,339	136,748
3. Regular amortization factor	12.353	12.856
4. Total transition liability/(surplus) rate	12.66%	13.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	145,339	136,748
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

The Job Council/2814
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
The Job Council/2814

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
The Job Council/2814

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

The Job Council -- #2814

November 2015

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Executive Summary

Milliman has prepared this report for The Job Council to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to The Job Council.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for The Job Council

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.98%	13.98%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	22.86%	22.86%	22.86%	22.86%	22.86%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	41.84%	41.84%	47.94%	35.96%	40.76%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	42.34%	42.34%	48.44%	36.39%	41.19%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

The Job Council

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$3,264,481	\$1,485,539
Allocated pre-SLGRP pooled liability/(surplus)	(361,804)	(378,522)
Transition liability/(surplus)	4,676,513	4,738,287
Allocated pooled OPSRP UAL	231,127	138,533
Side account	0	0
Net unfunded pension actuarial accrued liability	7,810,317	5,983,837
Combined valuation payroll	2,021,725	1,959,277
Net pension UAL as a percentage of payroll	386%	305%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	22.86%	22.60%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$16,070	\$27,118
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$296,713	\$53,082	15.39%	\$364,314	\$56,068
Tier 2 General Service	12.44%	753,805	93,773	10.57%	757,390	80,056
Total General Service		1,050,518	146,855		1,121,704	136,124
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$1,050,518	\$146,855		\$1,121,704	\$136,124
Employer normal cost rate						
General Service			13.98%			12.14%
Police & Fire			20.08%			16.51%
Aggregate (Default)			13.98%			12.14%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$4,738,287
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	20.78%
B. Actual employer payroll	938,507
C. Payment to transition liability/(surplus)	195,022
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	20.78%
B. Actual employer payroll	977,450
C. Payment to transition liability/(surplus)	203,114
4. Supplemental payment to transition liability	0
5. Interest	336,362
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$4,676,513

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	4,676,513	4,738,287
2. Combined valuation payroll	2,021,725	1,959,277
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	22.86%	22.60%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,021,725	1,959,277
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

The Oregon Consortium/2652
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
The Oregon Consortium/2652

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
The Oregon Consortium/2652

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

The Oregon Consortium -- #2652

November 2015

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Executive Summary

Milliman has prepared this report for The Oregon Consortium to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to The Oregon Consortium.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for The Oregon Consortium

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	3.09%	3.09%	3.09%	3.09%	3.09%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	27.75%	27.75%	29.94%	17.96%	22.76%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	28.25%	28.25%	30.44%	18.39%	23.19%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

The Oregon Consortium

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$453,209	\$192,401
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	87,808	87,550
Allocated pooled OPSRP UAL	32,087	17,942
Side account	0	0
Net unfunded pension actuarial accrued liability	573,104	297,893
Combined valuation payroll	280,677	253,758
Net pension UAL as a percentage of payroll	204%	117%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	3.09%	3.22%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,231	\$3,512
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$108,902	\$19,483	15.39%	\$159,862	\$24,603
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		108,902	19,483		159,862	24,603
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$108,902	\$19,483		\$159,862	\$24,603
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$87,550
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	2.31%
B. Actual employer payroll	133,345
C. Payment to transition liability/(surplus)	3,080
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	2.31%
B. Actual employer payroll	128,928
C. Payment to transition liability/(surplus)	2,978
4. Supplemental payment to transition liability	0
5. Interest	6,316
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$87,808

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	87,808	87,550
2. Combined valuation payroll	280,677	253,758
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	3.09%	3.22%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	280,677	253,758
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Tillamook Bay Community College/2997
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Tillamook Bay Community College/2997

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Tillamook Bay Community College/2997

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tillamook Bay Community College -- #2997

November 2015

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Executive Summary

Milliman has prepared this report for Tillamook Bay Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tillamook Bay Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Tillamook Bay Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(8.99%)	(8.99%)	(8.99%)	(8.99%)	(8.99%)
Net pension contribution rate	14.46%	14.46%	19.64%	7.66%	12.46%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	14.96%	14.96%	20.14%	8.09%	12.89%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Tillamook Bay Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$2,563,614	\$1,020,019
Allocated pre-SLGRP pooled liability/(surplus)	286,468	266,183
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	181,505	95,121
Side account	1,444,489	1,462,873
Net unfunded pension actuarial accrued liability	1,587,098	(81,550)
Combined valuation payroll	1,587,671	1,345,303
Net pension UAL as a percentage of payroll	100%	(6%)
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(8.99%)	(10.16%)
Allocated pooled RHIA UAL	\$12,620	\$18,620
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$1,462,873	\$1,462,873
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(122,296)	(122,296)
5. Side account earnings during 2014		104,911	104,911
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$1,444,489	\$1,444,489

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$1,444,489	\$1,462,873
Side Account 2	0	0
Side Account 3	0	0
Total	\$1,444,489	\$1,462,873

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$1,444,489	\$1,462,873
2. Combined valuation payroll	1,587,671	1,345,303
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(8.99%)	(10.16%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Tillamook Peoples Utility District/2626
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Tillamook Peoples Utility District/2626

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Tillamook Peoples Utility District/2626

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tillamook Peoples Utility District -- #2626

November 2015

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Executive Summary

Milliman has prepared this report for Tillamook Peoples Utility District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tillamook Peoples Utility District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Tillamook Peoples Utility District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.66%	15.66%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(0.24%)	(0.24%)	(0.24%)	(0.24%)	(0.24%)
Net pension contribution rate	20.42%	20.42%	24.84%	12.86%	17.66%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	20.92%	20.92%	25.34%	13.29%	18.09%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Tillamook Peoples Utility District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$11,677,833	\$5,422,820
Allocated pre-SLGRP pooled liability/(surplus)	(1,294,258)	(1,381,759)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	826,797	505,701
Side account	177,158	179,260
Net unfunded pension actuarial accrued liability	11,033,214	4,367,502
Combined valuation payroll	7,232,196	7,152,158
Net pension UAL as a percentage of payroll	153%	61%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.00%	0.00%
Side account rate relief	(0.24%)	(0.23%)
Allocated pooled RHIA UAL	\$57,486	\$98,994
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$2,135,078	\$381,965	15.39%	\$2,283,315	\$351,402
Tier 2 General Service	12.44%	1,482,582	184,433	10.57%	1,456,285	153,929
Total General Service		3,617,660	566,398		3,739,600	505,331
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$3,617,660	\$566,398		\$3,739,600	\$505,331
Employer normal cost rate						
General Service			15.66%			13.51%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.66%			13.51%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	7,232,196	7,152,158
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$179,260	\$179,260
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(13,976)	(13,976)
5. Side account earnings during 2014		12,874	12,874
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$177,158	\$177,158

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$177,158	\$179,260
Side Account 2	0	0
Side Account 3	0	0
Total	\$177,158	\$179,260

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$177,158	\$179,260
2. Combined valuation payroll	7,232,196	7,152,158
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(0.24%)	(0.23%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Town of Canyon City/2255
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Town of Canyon City/2255

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Town of Canyon City/2255

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Town of Canyon City -- #2255

November 2015

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for Town of Canyon City to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Town of Canyon City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Town of Canyon City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	2.42%	2.42%	2.42%	2.42%	2.42%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.47%	22.58%	27.50%	15.52%	20.32%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.97%	23.08%	28.00%	15.95%	20.75%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Town of Canyon City

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$220,273	\$69,700
Allocated pre-SLGRP pooled liability/(surplus)	(24,413)	(17,760)
Transition liability/(surplus)	33,450	33,682
Allocated pooled OPSRP UAL	15,595	6,500
Side account	0	0
Net unfunded pension actuarial accrued liability	244,905	92,122
Combined valuation payroll	136,417	91,927
Net pension UAL as a percentage of payroll	180%	100%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	2.42%	3.42%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,084	\$1,272
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$33,682
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	2.10%
B. Actual employer payroll	59,942
C. Payment to transition liability/(surplus)	1,259
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	2.10%
B. Actual employer payroll	65,656
C. Payment to transition liability/(surplus)	1,379
4. Supplemental payment to transition liability	0
5. Interest	2,406
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$33,450

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	33,450	33,682
2. Combined valuation payroll	136,417	91,927
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	2.42%	3.42%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	136,417	91,927
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Town of Lakeview/2212
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Town of Lakeview/2212

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Town of Lakeview/2212

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Town of Lakeview -- #2212

November 2015

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Executive Summary

Milliman has prepared this report for Town of Lakeview to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Town of Lakeview.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Town of Lakeview

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.53%	14.95%	19.95%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(9.62%)	(9.62%)	(9.62%)	(9.62%)	(9.62%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.91%	10.33%	15.33%	3.48%	8.28%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	13.41%	10.83%	15.83%	3.91%	8.71%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Town of Lakeview

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,670,440	\$756,709
Allocated pre-SLGRP pooled liability/(surplus)	(185,135)	(192,813)
Transition liability/(surplus)	(1,006,500)	(1,038,496)
Allocated pooled OPSRP UAL	118,268	70,566
Side account	0	0
Net unfunded pension actuarial accrued liability	597,073	(404,034)
Combined valuation payroll	1,034,520	998,023
Net pension UAL as a percentage of payroll	58%	(40%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(9.62%)	(9.72%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$8,223	\$13,814
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$131,715	\$23,564	15.39%	\$126,358	\$19,446
Tier 2 General Service	12.44%	154,315	19,197	10.57%	178,195	18,835
Total General Service		286,030	42,761		304,553	38,281
Tier 1 Police & Fire	21.53%	114,523	24,657	17.62%	64,401	11,347
Tier 2 Police & Fire	19.00%	191,914	36,464	15.63%	165,988	25,944
Total Police & Fire		306,437	61,121		230,389	37,291
Total		\$592,467	\$103,882		\$534,942	\$75,572
Employer normal cost rate						
General Service			14.95%			12.57%
Police & Fire			19.95%			16.19%
Aggregate (Default)			17.53%			14.13%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,038,496)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(10.86%)
B. Actual employer payroll	482,432
C. Payment to transition liability/(surplus)	(52,235)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(10.86%)
B. Actual employer payroll	481,652
C. Payment to transition liability/(surplus)	(52,154)
4. Supplemental payment to transition liability	0
5. Interest	(72,393)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,006,500)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,006,500)	(1,038,496)
2. Combined valuation payroll	1,034,520	998,023
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(9.62%)	(9.72%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,034,520	998,023
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Treasure Valley Community College/2902
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Treasure Valley Community College/2902

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Treasure Valley Community College/2902

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Treasure Valley Community College -- #2902

November 2015

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Executive Summary

Milliman has prepared this report for Treasure Valley Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Treasure Valley Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Treasure Valley Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(12.13%)	(12.13%)	(12.13%)	(12.13%)	(12.13%)
Net pension contribution rate	11.32%	11.32%	16.50%	4.52%	9.32%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	11.82%	11.82%	17.00%	4.95%	9.75%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Treasure Valley Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$16,162,844	\$7,395,187
Allocated pre-SLGRP pooled liability/(surplus)	1,806,098	1,929,839
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	1,144,339	689,633
Side account	12,289,696	12,421,403
Net unfunded pension actuarial accrued liability	6,823,585	(2,406,744)
Combined valuation payroll	10,009,807	9,753,513
Net pension UAL as a percentage of payroll	68%	(25%)
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(12.13%)	(11.90%)
Allocated pooled RHIA UAL	\$79,564	\$134,999
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$12,421,403	\$12,421,403
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,021,329)	(1,021,329)
5. Side account earnings during 2014		890,623	890,623
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$12,289,696	\$12,289,696

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$12,289,696	\$12,421,403
Side Account 2	0	0
Side Account 3	0	0
Total	\$12,289,696	\$12,421,403

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$12,289,696	\$12,421,403
2. Combined valuation payroll	10,009,807	9,753,513
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(12.13%)	(11.90%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Tri-City Water and Sanitary Authority/2864
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Tri-City Water and Sanitary Authority/2864

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Tri-City Water and Sanitary Authority/2864

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tri-City Water and Sanitary Authority -- #2864

November 2015

Secondary Employers

2690 Tri City Sanitary

2691 Tri City Water

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Executive Summary

Milliman has prepared this report for Tri-City Water and Sanitary Authority to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tri-City Water and Sanitary Authority.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Tri-City Water and Sanitary Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.03%)	(2.03%)	(2.03%)	(2.03%)	(2.03%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.41%	15.41%	23.05%	11.07%	15.87%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	15.91%	15.91%	23.55%	11.50%	16.30%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Tri-City Water and Sanitary Authority

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$598,473	\$269,212
Allocated pre-SLGRP pooled liability/(surplus)	(66,329)	(68,596)
Transition liability/(surplus)	(76,282)	(77,691)
Allocated pooled OPSRP UAL	42,372	25,105
Side account	0	0
Net unfunded pension actuarial accrued liability	498,234	148,030
Combined valuation payroll	370,640	355,064
Net pension UAL as a percentage of payroll	134%	42%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.03%)	(2.04%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,946	\$4,914
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	67,500	8,397	10.57%	65,728	6,947
Total General Service		67,500	8,397		65,728	6,947
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$67,500	\$8,397		\$65,728	\$6,947
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$77,691)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.96%)
B. Actual employer payroll	170,100
C. Payment to transition liability/(surplus)	(3,334)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.96%)
B. Actual employer payroll	181,744
C. Payment to transition liability/(surplus)	(3,562)
4. Supplemental payment to transition liability	0
5. Interest	(5,487)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$76,282)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(76,282)	(77,691)
2. Combined valuation payroll	370,640	355,064
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.03%)	(2.04%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	370,640	355,064
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Tualatin Valley Fire & Rescue/2660
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Tualatin Valley Fire & Rescue/2660

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Tualatin Valley Fire & Rescue/2660

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tualatin Valley Fire & Rescue -- #2660

November 2015

Secondary Employers

2730 Tualatin Rural Fire District

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Executive Summary

Milliman has prepared this report for Tualatin Valley Fire & Rescue to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tualatin Valley Fire & Rescue.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Tualatin Valley Fire & Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.61%	14.42%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(3.68%)	(3.68%)	(3.68%)	(3.68%)	(3.68%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.93%	15.74%	21.40%	9.42%	14.22%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.43%	16.24%	21.90%	9.85%	14.65%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Tualatin Valley Fire & Rescue

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$75,928,860	\$32,414,429
Allocated pre-SLGRP pooled liability/(surplus)	(8,415,222)	(8,259,341)
Transition liability/(surplus)	(17,498,954)	(17,913,776)
Allocated pooled OPSRP UAL	5,375,808	3,022,784
Side account	0	0
Net unfunded pension actuarial accrued liability	55,390,492	9,264,096
Combined valuation payroll	47,023,483	42,751,396
Net pension UAL as a percentage of payroll	118%	22%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(3.68%)	(3.91%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$373,770	\$591,725
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$852,629	\$152,535	15.39%	\$1,063,027	\$163,600
Tier 2 General Service	12.44%	1,490,337	185,398	10.57%	1,650,215	174,428
Total General Service		2,342,966	337,933		2,713,242	338,028
Tier 1 Police & Fire	21.53%	11,085,590	2,386,728	17.62%	10,960,243	1,931,195
Tier 2 Police & Fire	19.00%	14,994,357	2,848,928	15.63%	14,084,186	2,201,358
Total Police & Fire		26,079,947	5,235,656		25,044,429	4,132,553
Total		\$28,422,913	\$5,573,589		\$27,757,671	\$4,470,581
Employer normal cost rate						
General Service			14.42%			12.46%
Police & Fire			20.08%			16.50%
Aggregate (Default)			19.61%			16.11%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$17,913,776)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(3.73%)
B. Actual employer payroll	22,007,489
C. Payment to transition liability/(surplus)	(820,879)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(3.73%)
B. Actual employer payroll	22,857,031
C. Payment to transition liability/(surplus)	(852,568)
4. Supplemental payment to transition liability	0
5. Interest	(1,258,625)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$17,498,954)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(17,498,954)	(17,913,776)
2. Combined valuation payroll	47,023,483	42,751,396
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(3.68%)	(3.91%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	47,023,483	42,751,396
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Tualatin Valley Irrigation District/2587
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Tualatin Valley Irrigation District/2587

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Tualatin Valley Irrigation District/2587

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tualatin Valley Irrigation District -- #2587

November 2015

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Executive Summary

Milliman has prepared this report for Tualatin Valley Irrigation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tualatin Valley Irrigation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Tualatin Valley Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.27%)	(6.27%)	(6.27%)	(6.27%)	(6.27%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.94%	12.94%	20.58%	8.60%	13.40%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	13.44%	13.44%	21.08%	9.03%	13.83%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Tualatin Valley Irrigation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$359,822	\$205,119
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(141,411)	(142,205)
Allocated pooled OPSRP UAL	25,476	19,128
Side account	0	0
Net unfunded pension actuarial accrued liability	243,887	82,042
Combined valuation payroll	222,841	270,532
Net pension UAL as a percentage of payroll	109%	30%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.27%)	(4.91%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,771	\$3,744
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$50,465	\$7,767
Tier 2 General Service	12.44%	47,247	5,878	10.57%	46,532	4,918
Total General Service		47,247	5,878		96,997	12,685
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$47,247	\$5,878		\$96,997	\$12,685
Employer normal cost rate						
General Service			12.44%			13.08%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			13.08%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$142,205)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.47%)
B. Actual employer payroll	139,493
C. Payment to transition liability/(surplus)	(6,235)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.47%)
B. Actual employer payroll	105,813
C. Payment to transition liability/(surplus)	(4,730)
4. Supplemental payment to transition liability	0
5. Interest	(10,171)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$141,411)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(141,411)	(142,205)
2. Combined valuation payroll	222,841	270,532
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(6.27%)	(4.91%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	222,841	270,532
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Tualatin Valley Water District/2842
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Tualatin Valley Water District/2842

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Tualatin Valley Water District/2842

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tualatin Valley Water District -- #2842

November 2015

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Executive Summary

Milliman has prepared this report for Tualatin Valley Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tualatin Valley Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Tualatin Valley Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.78%	14.78%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.37%)	(3.37%)	(3.37%)	(3.37%)	(3.37%)
Side account rate relief ²	(1.38%)	(1.38%)	(1.38%)	(1.38%)	(1.38%)
Net pension contribution rate	16.80%	16.80%	22.10%	10.12%	14.92%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	17.30%	17.30%	22.60%	10.55%	15.35%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Tualatin Valley Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$14,751,769	\$6,842,038
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,111,422)	(3,215,750)
Allocated pooled OPSRP UAL	1,044,434	638,049
Side account	1,278,694	1,298,561
Net unfunded pension actuarial accrued liability	11,406,087	2,965,776
Combined valuation payroll	9,135,914	9,023,965
Net pension UAL as a percentage of payroll	125%	33%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.37%)	(3.33%)
Side account rate relief	(1.38%)	(1.34%)
Allocated pooled RHIA UAL	\$72,618	\$124,901
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$2,392,437	\$428,007	15.39%	\$2,520,392	\$387,888
Tier 2 General Service	12.44%	3,187,123	396,478	10.57%	3,223,084	340,680
Total General Service		5,579,560	824,485		5,743,476	728,568
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$5,579,560	\$824,485		\$5,743,476	\$728,568
Employer normal cost rate						
General Service			14.78%			12.69%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.78%			12.69%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$3,215,750)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(3.61%)
B. Actual employer payroll	4,402,352
C. Payment to transition liability/(surplus)	(158,925)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(3.61%)
B. Actual employer payroll	4,686,812
C. Payment to transition liability/(surplus)	(169,194)
4. Supplemental payment to transition liability	0
5. Interest	(223,791)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$3,111,422)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(3,111,422)	(3,215,750)
2. Combined valuation payroll	9,135,914	9,023,965
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(3.37%)	(3.33%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$1,298,561	\$1,298,561
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(111,866)	(111,866)
5. Side account earnings during 2014		92,999	92,999
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$1,278,694	\$1,278,694

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$1,278,694	\$1,298,561
Side Account 2	0	0
Side Account 3	0	0
Total	\$1,278,694	\$1,298,561

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$1,278,694	\$1,298,561
2. Combined valuation payroll	9,135,914	9,023,965
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(1.38%)	(1.34%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Umatilla County Soil & Water District/2772
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Umatilla County Soil & Water District/2772

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Umatilla County Soil & Water District/2772

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umatilla County Soil & Water District -- #2772

November 2015

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Executive Summary

Milliman has prepared this report for Umatilla County Soil & Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umatilla County Soil & Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Umatilla County Soil & Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(3.49%)	(3.49%)	(3.49%)	(3.49%)	(3.49%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.56%	16.67%	21.59%	9.61%	14.41%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.06%	17.17%	22.09%	10.04%	14.84%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Umatilla County Soil & Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$185,095	\$73,682
Allocated pre-SLGRP pooled liability/(surplus)	(20,514)	(18,774)
Transition liability/(surplus)	(40,442)	(43,349)
Allocated pooled OPSRP UAL	13,105	6,871
Side account	0	0
Net unfunded pension actuarial accrued liability	137,244	18,430
Combined valuation payroll	114,631	97,179
Net pension UAL as a percentage of payroll	120%	19%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(3.49%)	(4.17%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$911	\$1,345
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$43,349)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(5.42%)
B. Actual employer payroll	53,656
C. Payment to transition liability/(surplus)	(2,908)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(5.42%)
B. Actual employer payroll	53,656
C. Payment to transition liability/(surplus)	(2,908)
4. Supplemental payment to transition liability	0
5. Interest	(2,909)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$40,442)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(40,442)	(43,349)
2. Combined valuation payroll	114,631	97,179
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(3.49%)	(4.17%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	114,631	97,179
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Umatilla County Special Library District/2732
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015

Umatilla County Special Library District/2732

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Umatilla County Special Library District/2732

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umatilla County Special Library District -- #2732

November 2015

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Executive Summary

Milliman has prepared this report for Umatilla County Special Library District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umatilla County Special Library District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Umatilla County Special Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.89%	17.89%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(10.82%)	(10.82%)	(10.82%)	(10.82%)	(10.82%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.84%	13.84%	16.03%	4.05%	8.85%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	14.34%	14.34%	16.53%	4.48%	9.28%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Umatilla County Special Library District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$202,059	\$95,038
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(137,040)	(138,681)
Allocated pooled OPSRP UAL	14,306	8,863
Side account	0	0
Net unfunded pension actuarial accrued liability	79,325	(34,780)
Combined valuation payroll	125,137	125,346
Net pension UAL as a percentage of payroll	63%	(28%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.82%)	(10.34%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$995	\$1,735
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$43,413	\$7,767	15.39%	\$40,338	\$6,208
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		43,413	7,767		40,338	6,208
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$43,413	\$7,767		\$40,338	\$6,208
Employer normal cost rate						
General Service			17.89%			15.39%
Police & Fire			20.08%			16.51%
Aggregate (Default)			17.89%			15.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$138,681)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(8.87%)
B. Actual employer payroll	61,518
C. Payment to transition liability/(surplus)	(5,457)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(8.87%)
B. Actual employer payroll	68,102
C. Payment to transition liability/(surplus)	(6,041)
4. Supplemental payment to transition liability	0
5. Interest	(9,857)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$137,040)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(137,040)	(138,681)
2. Combined valuation payroll	125,137	125,346
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(10.82%)	(10.34%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	125,137	125,346
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Umatilla County/2013
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Umatilla County/2013

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Umatilla County/2013

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No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umatilla County -- #2013

November 2015

Secondary Employers

2048 Umatilla County Fair Board

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Executive Summary

Milliman has prepared this report for Umatilla County to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umatilla County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Umatilla County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.68%	15.22%	19.82%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(7.03%)	(7.03%)	(7.03%)	(7.03%)	(7.03%)
Net pension contribution rate	14.65%	13.19%	17.79%	6.07%	10.87%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	15.15%	13.69%	18.29%	6.50%	11.30%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Umatilla County

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$22,358,529	\$10,179,995
Allocated pre-SLGRP pooled liability/(surplus)	(2,478,003)	(2,593,908)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	1,582,997	949,328
Side account	9,846,469	9,873,852
Net unfunded pension actuarial accrued liability	11,617,054	(1,338,437)
Combined valuation payroll	13,846,855	13,426,397
Net pension UAL as a percentage of payroll	84%	(10%)
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.00%	0.00%
Side account rate relief	(7.03%)	(6.87%)
Allocated pooled RHIA UAL	\$110,063	\$185,836
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$2,526,053	\$451,911	15.39%	\$2,605,069	\$400,920
Tier 2 General Service	12.44%	2,434,890	302,900	10.57%	2,698,961	285,280
Total General Service		4,960,943	754,811		5,304,030	686,200
Tier 1 Police & Fire	21.53%	751,237	161,741	17.62%	793,578	139,828
Tier 2 Police & Fire	19.00%	1,573,049	298,879	15.63%	1,535,630	240,019
Total Police & Fire		2,324,286	460,620		2,329,208	379,847
Total		\$7,285,229	\$1,215,431		\$7,633,238	\$1,066,047
Employer normal cost rate						
General Service			15.22%			12.94%
Police & Fire			19.82%			16.31%
Aggregate (Default)			16.68%			13.97%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	13,846,855	13,426,397
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$9,873,852	\$9,873,852
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(735,763)	(735,763)
5. Side account earnings during 2014		709,380	709,380
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$9,846,469	\$9,846,469

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$9,846,469	\$9,873,852
Side Account 2	0	0
Side Account 3	0	0
Total	\$9,846,469	\$9,873,852

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$9,846,469	\$9,873,852
2. Combined valuation payroll	13,846,855	13,426,397
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(7.03%)	(6.87%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Umatilla Fire Department/2653
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Umatilla Fire Department/2653

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Umatilla Fire Department/2653

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umatilla Fire Department -- #2653

November 2015

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Executive Summary

Milliman has prepared this report for Umatilla Fire Department to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umatilla Fire Department.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Umatilla Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	21.53%	15.16%	21.53%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.07%)	(5.07%)	(5.07%)	(5.07%)	(5.07%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.23%	16.86%	23.23%	9.80%	14.60%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.73%	17.36%	23.73%	10.23%	15.03%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Umatilla Fire Department

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$216,980	\$100,719
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(68,969)	(73,816)
Allocated pooled OPSRP UAL	15,362	9,392
Side account	0	0
Net unfunded pension actuarial accrued liability	163,373	36,295
Combined valuation payroll	134,378	132,838
Net pension UAL as a percentage of payroll	122%	27%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.07%)	(5.19%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,068	\$1,839
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	83,050	17,881	17.62%	83,082	14,639
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		83,050	17,881		83,082	14,639
Total		\$83,050	\$17,881		\$83,082	\$14,639
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			21.53%			17.62%
Aggregate (Default)			21.53%			17.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$73,816)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(7.64%)
B. Actual employer payroll	63,778
C. Payment to transition liability/(surplus)	(4,873)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(7.64%)
B. Actual employer payroll	64,610
C. Payment to transition liability/(surplus)	(4,935)
4. Supplemental payment to transition liability	0
5. Interest	(4,961)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$68,969)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(68,969)	(73,816)
2. Combined valuation payroll	134,378	132,838
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.07%)	(5.19%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	134,378	132,838
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Umpqua Community College/2903
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Umpqua Community College/2903

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Umpqua Community College/2903

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umpqua Community College -- #2903

November 2015

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Executive Summary

Milliman has prepared this report for Umpqua Community College to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umpqua Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Umpqua Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.90%	14.90%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	1.78%	1.78%	1.78%	1.78%	1.78%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(8.40%)	(8.40%)	(8.40%)	(8.40%)	(8.40%)
Net pension contribution rate	15.05%	15.05%	20.23%	8.25%	13.05%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	15.55%	15.55%	20.73%	8.68%	13.48%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Umpqua Community College

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$19,848,638	\$9,002,334
Allocated pre-SLGRP pooled liability/(surplus)	2,217,963	2,349,238
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	1,405,295	839,506
Side account	10,452,604	10,498,870
Net unfunded pension actuarial accrued liability	13,019,292	1,692,208
Combined valuation payroll	12,292,455	11,873,180
Net pension UAL as a percentage of payroll	106%	14%
Pre-SLGRP pooled rate	1.78%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(8.40%)	(8.26%)
Allocated pooled RHIA UAL	\$97,708	\$164,338
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$94,701,078	\$16,942,023	15.39%	\$101,323,810	\$15,593,734
Tier 2 General Service	12.44%	115,090,395	14,317,245	10.57%	117,604,426	12,430,788
Total General Service		209,791,473	31,259,268		218,928,236	28,024,522
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,791,473	\$31,259,268		\$218,928,236	\$28,024,522
Employer normal cost rate						
General Service			14.90%			12.80%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.90%			12.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	414,111,780	408,769,564
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A	\$10,498,870	\$10,498,870
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(799,212)	(799,212)
5. Side account earnings during 2014		753,947	753,947
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$10,452,604	\$10,452,604

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$10,452,604	\$10,498,870
Side Account 2	0	0
Side Account 3	0	0
Total	\$10,452,604	\$10,498,870

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$10,452,604	\$10,498,870
2. Combined valuation payroll	12,292,455	11,873,180
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(8.40%)	(8.26%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Wasco County Soil-Water Conservation District/2826
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015

Wasco County Soil-Water Conservation District/2826

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Wasco County Soil-Water Conservation District/2826

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Wasco County Soil-Water Conservation District -- #2826

November 2015

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for Wasco County Soil-Water Conservation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Wasco County Soil-Water Conservation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Wasco County Soil-Water Conservation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.33%)	(6.33%)	(6.33%)	(6.33%)	(6.33%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.88%	12.88%	20.52%	8.54%	13.34%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	13.38%	13.38%	21.02%	8.97%	13.77%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Wasco County Soil-Water Conservation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$541,248	\$285,857
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(214,616)	(216,680)
Allocated pooled OPSRP UAL	38,321	26,657
Side account	0	0
Net unfunded pension actuarial accrued liability	364,953	95,834
Combined valuation payroll	335,200	377,017
Net pension UAL as a percentage of payroll	109%	25%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.33%)	(5.37%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,664	\$5,218
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	214,410	26,673	10.57%	279,591	29,553
Total General Service		214,410	26,673		279,591	29,553
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$214,410	\$26,673		\$279,591	\$29,553
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$216,680)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.98%)
B. Actual employer payroll	188,553
C. Payment to transition liability/(surplus)	(9,390)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.98%)
B. Actual employer payroll	162,854
C. Payment to transition liability/(surplus)	(8,110)
4. Supplemental payment to transition liability	0
5. Interest	(15,436)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$214,616)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(214,616)	(216,680)
2. Combined valuation payroll	335,200	377,017
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(6.33%)	(5.37%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	335,200	377,017
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Wasco County/2020
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Wasco County/2020

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Wasco County/2020

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Wasco County -- #2020

November 2015

Secondary Employers

2049 Columbia Basin Nursing Home

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Executive Summary

Milliman has prepared this report for Wasco County to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Wasco County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Wasco County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.79%	15.66%	20.27%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(2.47%)	(2.47%)	(2.47%)	(2.47%)	(2.47%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.32%	18.19%	22.80%	10.63%	15.43%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	19.82%	18.69%	23.30%	11.06%	15.86%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Wasco County

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$8,727,500	\$4,311,674
Allocated pre-SLGRP pooled liability/(surplus)	(967,272)	(1,098,634)
Transition liability/(surplus)	(1,349,297)	(1,351,100)
Allocated pooled OPSRP UAL	617,912	402,082
Side account	0	0
Net unfunded pension actuarial accrued liability	7,028,843	2,264,022
Combined valuation payroll	5,405,026	5,686,667
Net pension UAL as a percentage of payroll	130%	40%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(2.47%)	(2.22%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$42,962	\$78,710
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$1,298,677	\$232,333	15.39%	\$1,574,785	\$242,359
Tier 2 General Service	12.44%	897,125	111,602	10.57%	952,486	100,678
Total General Service		2,195,802	343,935		2,527,271	343,037
Tier 1 Police & Fire	21.53%	358,169	77,114	17.62%	347,663	61,258
Tier 2 Police & Fire	19.00%	353,349	67,136	15.63%	402,875	62,969
Total Police & Fire		711,518	144,250		750,538	124,227
Total		\$2,907,320	\$488,185		\$3,277,809	\$467,264
Employer normal cost rate						
General Service			15.66%			13.57%
Police & Fire			20.27%			16.55%
Aggregate (Default)			16.79%			14.26%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,351,100)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(1.79%)
B. Actual employer payroll	2,759,140
C. Payment to transition liability/(surplus)	(49,389)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(1.79%)
B. Actual employer payroll	2,763,333
C. Payment to transition liability/(surplus)	(49,463)
4. Supplemental payment to transition liability	0
5. Interest	(97,049)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,349,297)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,349,297)	(1,351,100)
2. Combined valuation payroll	5,405,026	5,686,667
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.47%)	(2.22%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	5,405,026	5,686,667
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Washington County Consolidated Communications Agency/2695
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Washington County Consolidated Communications Agency/2695

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Washington County Consolidated Communications Agency/2695

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Washington County Consolidated Communications Agency -- #2695

November 2015

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Executive Summary

Milliman has prepared this report for Washington County Consolidated Communications Agency to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Washington County Consolidated Communications Agency.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Washington County Consolidated Communications Agency

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.30%	15.07%	21.53%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.70%	0.70%	0.70%	0.70%	0.70%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.00%	20.77%	27.23%	13.80%	18.60%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.50%	21.27%	27.73%	14.23%	19.03%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Washington County Consolidated Communications Agency

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$10,895,354	\$4,816,073
Allocated pre-SLGRP pooled liability/(surplus)	(1,207,536)	(1,227,157)
Transition liability/(surplus)	475,088	484,456
Allocated pooled OPSRP UAL	771,397	449,119
Side account	0	0
Net unfunded pension actuarial accrued liability	10,934,303	4,522,491
Combined valuation payroll	6,747,599	6,351,919
Net pension UAL as a percentage of payroll	162%	71%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.70%	0.71%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$53,634	\$87,917
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$1,608,315	\$287,728	15.39%	\$1,550,702	\$238,653
Tier 2 General Service	12.44%	1,723,571	214,412	10.57%	1,755,737	185,581
Total General Service		3,331,886	502,140		3,306,439	424,234
Tier 1 Police & Fire	21.53%	123,019	26,486	17.62%	115,827	20,409
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		123,019	26,486		115,827	20,409
Total		\$3,454,905	\$528,626		\$3,422,266	\$444,643
Employer normal cost rate						
General Service			15.07%			12.83%
Police & Fire			21.53%			17.62%
Aggregate (Default)			15.30%			12.99%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$484,456
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.67%
B. Actual employer payroll	3,062,036
C. Payment to transition liability/(surplus)	20,516
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.67%
B. Actual employer payroll	3,436,298
C. Payment to transition liability/(surplus)	23,023
4. Supplemental payment to transition liability	0
5. Interest	34,171
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$475,088

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	475,088	484,456
2. Combined valuation payroll	6,747,599	6,351,919
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.70%	0.71%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	6,747,599	6,351,919
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Washington County Fire District #2/2578
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Washington County Fire District #2/2578

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Washington County Fire District #2/2578

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Washington County Fire District #2 -- #2578

November 2015

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Executive Summary

Milliman has prepared this report for Washington County Fire District #2 to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Washington County Fire District #2.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Washington County Fire District #2

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.33%	15.16%	19.33%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.73%	0.73%	0.73%	0.73%	0.73%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	26.83%	22.66%	26.83%	15.60%	20.40%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	27.33%	23.16%	27.33%	16.03%	20.83%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Washington County Fire District #2

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$2,139,322	\$979,542
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	98,297	100,075
Allocated pooled OPSRP UAL	151,465	91,346
Side account	0	0
Net unfunded pension actuarial accrued liability	2,389,084	1,170,963
Combined valuation payroll	1,324,903	1,291,918
Net pension UAL as a percentage of payroll	180%	91%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.73%	0.72%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$10,531	\$17,882
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	112,139	24,144	17.62%	104,155	18,352
Tier 2 Police & Fire	19.00%	735,720	139,787	15.63%	720,953	112,685
Total Police & Fire		847,859	163,931		825,108	131,037
Total		\$847,859	\$163,931		\$825,108	\$131,037
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.33%			15.88%
Aggregate (Default)			19.33%			15.88%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$100,075
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.70%
B. Actual employer payroll	599,031
C. Payment to transition liability/(surplus)	4,193
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.70%
B. Actual employer payroll	664,881
C. Payment to transition liability/(surplus)	4,655
4. Supplemental payment to transition liability	0
5. Interest	7,070
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$98,297

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	98,297	100,075
2. Combined valuation payroll	1,324,903	1,291,918
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.73%	0.72%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,324,903	1,291,918
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Washington County/2011
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Washington County/2011

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Washington County/2011

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Washington County -- #2011

November 2015

Secondary Employers

2046 Washington County Fair Board

2532 Metzger Sanitary District

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Executive Summary

Milliman has prepared this report for Washington County to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Washington County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Washington County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.47%	14.80%	19.92%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	0.03%	0.03%	0.03%	0.03%	0.03%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.50%	19.83%	24.95%	13.13%	17.93%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	22.00%	20.33%	25.45%	13.56%	18.36%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Washington County

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$200,401,570	\$89,664,864
Allocated pre-SLGRP pooled liability/(surplus)	(22,210,575)	(22,847,007)
Transition liability/(surplus)	422,634	439,853
Allocated pooled OPSRP UAL	14,188,549	8,361,631
Side account	0	0
Net unfunded pension actuarial accrued liability	192,802,178	75,619,341
Combined valuation payroll	124,110,645	118,259,003
Net pension UAL as a percentage of payroll	155%	64%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	0.03%	0.03%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$986,504	\$1,636,831
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$20,018,492	\$3,581,308	15.39%	\$21,639,594	\$3,330,334
Tier 2 General Service	12.44%	26,164,084	3,254,812	10.57%	26,510,545	2,802,165
Total General Service		46,182,576	6,836,120		48,150,139	6,132,499
Tier 1 Police & Fire	21.53%	8,133,560	1,751,155	17.62%	8,382,100	1,476,926
Tier 2 Police & Fire	19.00%	14,204,878	2,698,927	15.63%	13,811,472	2,158,733
Total Police & Fire		22,338,438	4,450,082		22,193,572	3,635,659
Total		\$68,521,014	\$11,286,202		\$70,343,711	\$9,768,158
Employer normal cost rate						
General Service			14.80%			12.74%
Police & Fire			19.92%			16.38%
Aggregate (Default)			16.47%			13.89%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$439,853
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.04%
B. Actual employer payroll	58,126,513
C. Payment to transition liability/(surplus)	23,251
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.04%
B. Actual employer payroll	60,915,386
C. Payment to transition liability/(surplus)	24,366
4. Supplemental payment to transition liability	0
5. Interest	30,398
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$422,634

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	422,634	439,853
2. Combined valuation payroll	124,110,645	118,259,003
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	0.03%	0.03%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	124,110,645	118,259,003
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

West Extension Irrigation District/2540
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
West Extension Irrigation District/2540

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
West Extension Irrigation District/2540

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

West Extension Irrigation District -- #2540

November 2015

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Executive Summary

Milliman has prepared this report for West Extension Irrigation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to West Extension Irrigation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for West Extension Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.44%	12.44%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(5.66%)	(5.66%)	(5.66%)	(5.66%)	(5.66%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	11.78%	11.78%	19.42%	7.44%	12.24%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	12.28%	12.28%	19.92%	7.87%	12.67%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

West Extension Irrigation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$527,284	\$262,087
Allocated pre-SLGRP pooled liability/(surplus)	(58,439)	(66,781)
Transition liability/(surplus)	(187,045)	(189,331)
Allocated pooled OPSRP UAL	37,332	24,441
Side account	0	0
Net unfunded pension actuarial accrued liability	319,132	30,416
Combined valuation payroll	326,552	345,666
Net pension UAL as a percentage of payroll	98%	9%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(5.66%)	(5.12%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,596	\$4,784
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	190,297	23,673	10.57%	182,163	19,255
Total General Service		190,297	23,673		182,163	19,255
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$190,297	\$23,673		\$182,163	\$19,255
Employer normal cost rate						
General Service			12.44%			10.57%
Police & Fire			20.08%			16.51%
Aggregate (Default)			12.44%			10.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$189,331)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.70%)
B. Actual employer payroll	166,445
C. Payment to transition liability/(surplus)	(7,823)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.70%)
B. Actual employer payroll	168,428
C. Payment to transition liability/(surplus)	(7,916)
4. Supplemental payment to transition liability	0
5. Interest	(13,453)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$187,045)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(187,045)	(189,331)
2. Combined valuation payroll	326,552	345,666
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.66%)	(5.12%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	326,552	345,666
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

West Multnomah Soil And Water Conservation District/2867
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015

West Multnomah Soil And Water Conservation District/2867

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



November 2015

West Multnomah Soil And Water Conservation District/2867

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

West Multnomah Soil And Water Conservation District -- #2867

November 2015

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Executive Summary

Milliman has prepared this report for West Multnomah Soil And Water Conservation District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to West Multnomah Soil And Water Conservation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for West Multnomah Soil And Water Conservation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.81%	15.81%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.58%	22.58%	26.85%	14.87%	19.67%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.08%	23.08%	27.35%	15.30%	20.10%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

West Multnomah Soil And Water Conservation District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$756,776	\$367,956
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	53,580	34,313
Side account	0	0
Net unfunded pension actuarial accrued liability	810,356	402,269
Combined valuation payroll	468,679	485,297
Net pension UAL as a percentage of payroll	173%	83%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,725	\$6,717
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$84,781	\$15,167	15.39%	\$81,336	\$12,518
Tier 2 General Service	12.44%	52,342	6,511	10.57%	43,515	4,600
Total General Service		137,123	21,678		124,851	17,118
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$137,123	\$21,678		\$124,851	\$17,118
Employer normal cost rate						
General Service			15.81%			13.71%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.81%			13.71%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$0
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	468,679	485,297
3. Regular amortization factor	0.000	0.000
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	468,679	485,297
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

West Slope Water District/2589
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
West Slope Water District/2589

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
West Slope Water District/2589

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

West Slope Water District -- #2589

November 2015

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for West Slope Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to West Slope Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for West Slope Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.07%	14.07%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	3.86%	3.86%	3.86%	3.86%	3.86%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	24.70%	24.70%	30.71%	18.73%	23.53%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	25.20%	25.20%	31.21%	19.16%	23.96%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

West Slope Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$873,306	\$383,388
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	211,203	214,876
Allocated pooled OPSRP UAL	61,831	35,753
Side account	0	0
Net unfunded pension actuarial accrued liability	1,146,340	634,017
Combined valuation payroll	540,847	505,651
Net pension UAL as a percentage of payroll	212%	125%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	3.86%	3.97%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,299	\$6,999
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$96,848	\$17,326	15.39%	\$94,832	\$14,595
Tier 2 General Service	12.44%	226,682	28,199	10.57%	229,045	24,210
Total General Service		323,530	45,525		323,877	38,805
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$323,530	\$45,525		\$323,877	\$38,805
Employer normal cost rate						
General Service			14.07%			11.98%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.07%			11.98%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$214,876
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	3.75%
B. Actual employer payroll	240,408
C. Payment to transition liability/(surplus)	9,015
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	3.75%
B. Actual employer payroll	262,623
C. Payment to transition liability/(surplus)	9,849
4. Supplemental payment to transition liability	0
5. Interest	15,191
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$211,203

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	211,203	214,876
2. Combined valuation payroll	540,847	505,651
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	3.86%	3.97%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	540,847	505,651
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

West Valley Housing Authority/2606
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
West Valley Housing Authority/2606

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
West Valley Housing Authority/2606

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

West Valley Housing Authority -- #2606

November 2015

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Executive Summary

Milliman has prepared this report for West Valley Housing Authority to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to West Valley Housing Authority.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for West Valley Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.32%	14.32%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.15%)	(5.15%)	(5.15%)	(5.15%)	(5.15%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.94%	15.94%	21.70%	9.72%	14.52%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	16.44%	16.44%	22.20%	10.15%	14.95%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

West Valley Housing Authority

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,138,104	\$725,508
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(367,604)	(368,269)
Allocated pooled OPSRP UAL	80,578	67,657
Side account	0	0
Net unfunded pension actuarial accrued liability	851,078	424,896
Combined valuation payroll	704,839	956,873
Net pension UAL as a percentage of payroll	121%	44%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.15%)	(3.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$5,602	\$13,244
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$140,834	\$25,195	15.39%	\$310,211	\$47,741
Tier 2 General Service	12.44%	268,027	33,343	10.57%	261,969	27,690
Total General Service		408,861	58,538		572,180	75,431
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$408,861	\$58,538		\$572,180	\$75,431
Employer normal cost rate						
General Service			14.32%			13.18%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.32%			13.18%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$368,269)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(3.13%)
B. Actual employer payroll	449,416
C. Payment to transition liability/(surplus)	(14,067)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(3.13%)
B. Actual employer payroll	416,549
C. Payment to transition liability/(surplus)	(13,038)
4. Supplemental payment to transition liability	0
5. Interest	(26,440)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$367,604)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(367,604)	(368,269)
2. Combined valuation payroll	704,839	956,873
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(5.15%)	(3.60%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	704,839	956,873
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Western Lane Ambulance District/2754
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Western Lane Ambulance District/2754

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Western Lane Ambulance District/2754

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Western Lane Ambulance District -- #2754

November 2015

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Executive Summary

Milliman has prepared this report for Western Lane Ambulance District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Western Lane Ambulance District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Western Lane Ambulance District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.10%	14.10%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(0.28%)	(0.28%)	(0.28%)	(0.28%)	(0.28%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.82%	18.82%	24.80%	12.82%	17.62%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	19.32%	19.32%	25.30%	13.25%	18.05%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Western Lane Ambulance District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,718,381	\$818,503
Allocated pre-SLGRP pooled liability/(surplus)	(190,449)	(208,558)
Transition liability/(surplus)	(29,844)	(30,713)
Allocated pooled OPSRP UAL	121,662	76,329
Side account	0	0
Net unfunded pension actuarial accrued liability	1,619,750	655,561
Combined valuation payroll	1,064,210	1,079,524
Net pension UAL as a percentage of payroll	152%	61%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(0.28%)	(0.27%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$8,459	\$14,942
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$187,280	\$33,504	15.39%	\$189,099	\$29,102
Tier 2 General Service	12.44%	427,693	53,205	10.57%	512,194	54,139
Total General Service		614,973	86,709		701,293	83,241
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$614,973	\$86,709		\$701,293	\$83,241
Employer normal cost rate						
General Service			14.10%			11.87%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.10%			11.87%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$30,713)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.28%)
B. Actual employer payroll	538,842
C. Payment to transition liability/(surplus)	(1,509)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.28%)
B. Actual employer payroll	538,336
C. Payment to transition liability/(surplus)	(1,507)
4. Supplemental payment to transition liability	0
5. Interest	(2,147)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$29,844)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(29,844)	(30,713)
2. Combined valuation payroll	1,064,210	1,079,524
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.28%)	(0.27%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,064,210	1,079,524
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Wickiup Water District/2817
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Wickiup Water District/2817

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Wickiup Water District/2817

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Wickiup Water District -- #2817

November 2015

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Executive Summary

Milliman has prepared this report for Wickiup Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Wickiup Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Wickiup Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.05%	15.16%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(0.13%)	(0.13%)	(0.13%)	(0.13%)	(0.13%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.92%	20.03%	24.95%	12.97%	17.77%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.42%	20.53%	25.45%	13.40%	18.20%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Wickiup Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$165,027	\$72,176
Allocated pre-SLGRP pooled liability/(surplus)	(18,290)	(18,391)
Transition liability/(surplus)	(1,294)	(1,324)
Allocated pooled OPSRP UAL	11,684	6,731
Side account	0	0
Net unfunded pension actuarial accrued liability	157,127	59,192
Combined valuation payroll	102,203	95,193
Net pension UAL as a percentage of payroll	154%	62%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(0.13%)	(0.13%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$812	\$1,318
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.08%			16.51%
Aggregate (Default)			16.05%			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$1,324)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.18%)
B. Actual employer payroll	28,339
C. Payment to transition liability/(surplus)	(51)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.18%)
B. Actual employer payroll	39,768
C. Payment to transition liability/(surplus)	(72)
4. Supplemental payment to transition liability	0
5. Interest	(93)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,294)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(1,294)	(1,324)
2. Combined valuation payroll	102,203	95,193
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.13%)	(0.13%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	102,203	95,193
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Winston-Dillard Fire District/2552
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Winston-Dillard Fire District/2552

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Winston-Dillard Fire District/2552

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Winston-Dillard Fire District -- #2552

November 2015

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Executive Summary

Milliman has prepared this report for Winston-Dillard Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Winston-Dillard Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Winston-Dillard Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	20.17%	15.16%	20.17%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	11.43%	11.43%	11.43%	11.43%	11.43%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	36.60%	31.59%	36.60%	24.53%	29.33%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	37.10%	32.09%	37.10%	24.96%	29.76%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Winston-Dillard Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,327,899	\$756,883
Allocated pre-SLGRP pooled liability/(surplus)	(147,172)	(192,857)
Transition liability/(surplus)	950,909	960,668
Allocated pooled OPSRP UAL	94,016	70,583
Side account	0	0
Net unfunded pension actuarial accrued liability	2,225,652	1,595,277
Combined valuation payroll	822,381	998,253
Net pension UAL as a percentage of payroll	271%	160%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	11.43%	8.99%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,537	\$13,817
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	293,576	63,207	17.62%	463,267	81,628
Tier 2 Police & Fire	19.00%	343,678	65,299	15.63%	350,011	54,707
Total Police & Fire		637,254	128,506		813,278	136,335
Total		\$637,254	\$128,506		\$813,278	\$136,335
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			20.17%			16.76%
Aggregate (Default)			20.17%			16.76%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$960,668
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	8.18%
B. Actual employer payroll	457,213
C. Payment to transition liability/(surplus)	37,400
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	8.18%
B. Actual employer payroll	498,214
C. Payment to transition liability/(surplus)	40,754
4. Supplemental payment to transition liability	0
5. Interest	68,395
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$950,909

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	950,909	960,668
2. Combined valuation payroll	822,381	998,253
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	11.43%	8.99%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	822,381	998,253
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Winston-Dillard Water District/2600
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Winston-Dillard Water District/2600

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Winston-Dillard Water District/2600

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Winston-Dillard Water District -- #2600

November 2015

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Executive Summary

Milliman has prepared this report for Winston-Dillard Water District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Winston-Dillard Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Winston-Dillard Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.12%	14.12%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.86%)	(2.86%)	(2.86%)	(2.86%)	(2.86%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.03%	18.03%	23.99%	12.01%	16.81%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	18.53%	18.53%	24.49%	12.44%	17.24%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Winston-Dillard Water District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$663,891	\$308,305
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(118,800)	(121,649)
Allocated pooled OPSRP UAL	47,004	28,751
Side account	0	0
Net unfunded pension actuarial accrued liability	592,095	215,407
Combined valuation payroll	411,154	406,623
Net pension UAL as a percentage of payroll	144%	53%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.86%)	(2.80%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,268	\$5,628
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$80,902	\$14,473	15.39%	\$80,358	\$12,367
Tier 2 General Service	12.44%	182,173	22,662	10.57%	182,672	19,308
Total General Service		263,075	37,135		263,030	31,675
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$263,075	\$37,135		\$263,030	\$31,675
Employer normal cost rate						
General Service			14.12%			12.04%
Police & Fire			20.08%			16.51%
Aggregate (Default)			14.12%			12.04%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$121,649)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(2.86%)
B. Actual employer payroll	199,279
C. Payment to transition liability/(surplus)	(5,699)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(2.86%)
B. Actual employer payroll	199,098
C. Payment to transition liability/(surplus)	(5,695)
4. Supplemental payment to transition liability	0
5. Interest	(8,545)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$118,800)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(118,800)	(121,649)
2. Combined valuation payroll	411,154	406,623
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.86%)	(2.80%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	411,154	406,623
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Woodburn Fire District/2676
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Woodburn Fire District/2676

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Woodburn Fire District/2676

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Woodburn Fire District -- #2676

November 2015

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Executive Summary

Milliman has prepared this report for Woodburn Fire District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Woodburn Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Woodburn Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.65%	15.16%	19.65%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	5.34%	5.34%	5.34%	5.34%	5.34%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	31.76%	27.27%	31.76%	20.21%	25.01%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	32.26%	27.77%	32.26%	20.64%	25.44%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Woodburn Fire District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,935,912	\$889,734
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	647,208	665,715
Allocated pooled OPSRP UAL	137,064	82,971
Side account	0	0
Net unfunded pension actuarial accrued liability	2,720,184	1,638,420
Combined valuation payroll	1,198,929	1,173,470
Net pension UAL as a percentage of payroll	227%	140%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	5.34%	5.30%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,530	\$16,242
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	210,336	45,285	17.62%	207,426	36,548
Tier 2 Police & Fire	19.00%	613,156	116,500	15.63%	594,996	92,998
Total Police & Fire		823,492	161,785		802,422	129,546
Total		\$823,492	\$161,785		\$802,422	\$129,546
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.65%			16.14%
Aggregate (Default)			19.65%			16.14%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$665,715
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	5.43%
B. Actual employer payroll	576,959
C. Payment to transition liability/(surplus)	31,329
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	5.43%
B. Actual employer payroll	621,161
C. Payment to transition liability/(surplus)	33,729
4. Supplemental payment to transition liability	0
5. Interest	46,551
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$647,208

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	647,208	665,715
2. Combined valuation payroll	1,198,929	1,173,470
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	5.34%	5.30%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,198,929	1,173,470
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Odell Rural Fire Protection District/2562
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Odell Rural Fire Protection District/2562

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Odell Rural Fire Protection District/2562

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Odell Rural Fire Protection District -- #2562

November 2015

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Executive Summary

Milliman has prepared this report for Odell Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Odell Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Odell Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.00%	15.16%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	4.93%	4.93%	4.93%	4.93%	4.93%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	28.93%	25.09%	28.93%	18.03%	22.83%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	29.43%	25.59%	29.43%	18.46%	23.26%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Odell Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$61,698	\$84,328
Allocated pre-SLGRP pooled liability/(surplus)	(6,838)	(21,487)
Transition liability/(surplus)	19,052	20,448
Allocated pooled OPSRP UAL	4,368	7,864
Side account	0	0
Net unfunded pension actuarial accrued liability	78,280	91,153
Combined valuation payroll	38,210	111,220
Net pension UAL as a percentage of payroll	205%	82%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	4.93%	1.72%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$304	\$1,539
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	38,210	7,260	15.63%	36,150	5,650
Total Police & Fire		38,210	7,260		36,150	5,650
Total		\$38,210	\$7,260		\$36,150	\$5,650
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.00%			15.63%
Aggregate (Default)			19.00%			15.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	\$20,448
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	2.51%
B. Actual employer payroll	53,850
C. Payment to transition liability/(surplus)	1,352
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	2.51%
B. Actual employer payroll	56,350
C. Payment to transition liability/(surplus)	1,414
4. Supplemental payment to transition liability	0
5. Interest	1,370
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014 (1. - 2C. - 3C. - 4. + 5. + 6.)	\$19,052

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	19,052	20,448
2. Combined valuation payroll	38,210	111,220
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	4.93%	1.72%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	38,210	111,220
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Yachats Rural Fire Protection District/2843
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Yachats Rural Fire Protection District/2843

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Yachats Rural Fire Protection District/2843

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Yachats Rural Fire Protection District -- #2843

November 2015

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Executive Summary

Milliman has prepared this report for Yachats Rural Fire Protection District to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Yachats Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Yachats Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	19.00%	15.16%	19.00%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.95%)	(2.95%)	(2.95%)	(2.95%)	(2.95%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.82%	18.98%	22.82%	11.92%	16.72%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	23.32%	19.48%	23.32%	12.35%	17.15%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Yachats Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$283,059	\$122,541
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(52,370)	(55,766)
Allocated pooled OPSRP UAL	20,041	11,427
Side account	0	0
Net unfunded pension actuarial accrued liability	250,730	78,202
Combined valuation payroll	175,301	161,619
Net pension UAL as a percentage of payroll	143%	48%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.95%)	(3.22%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,393	\$2,237
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$0	\$0	15.39%	\$0	\$0
Tier 2 General Service	12.44%	0	0	10.57%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	49,851	9,472	15.63%	203	32
Total Police & Fire		49,851	9,472		203	32
Total		\$49,851	\$9,472		\$203	\$32
Employer normal cost rate						
General Service			15.16%			13.02%
Police & Fire			19.00%			15.76%
Aggregate (Default)			19.00%			15.76%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$55,766)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(4.33%)
B. Actual employer payroll	82,185
C. Payment to transition liability/(surplus)	(3,559)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(4.33%)
B. Actual employer payroll	83,221
C. Payment to transition liability/(surplus)	(3,604)
4. Supplemental payment to transition liability	0
5. Interest	(3,767)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$52,370)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(52,370)	(55,766)
2. Combined valuation payroll	175,301	161,619
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(2.95%)	(3.22%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	175,301	161,619
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

November 2015

Yamhill Communications Agency/2726
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the System's benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



November 2015
Yamhill Communications Agency/2726

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



November 2015
Yamhill Communications Agency/2726

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide actuarial valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matt Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Yamhill Communications Agency -- #2726

November 2015

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Executive Summary

Milliman has prepared this report for Yamhill Communications Agency to:

- Provide summary December 31, 2014 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Yamhill Communications Agency.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates calculated as of December 31, 2014 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Yamhill Communications Agency

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.69%	15.69%	20.08%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ¹	5.76%	5.76%	5.76%	5.76%	5.76%
OPSRP UAL rate	1.01%	1.01%	1.01%	1.01%	1.01%
Pre-SLGRP pooled liability rate	(1.77%)	(1.77%)	(1.77%)	(1.77%)	(1.77%)
Transition liability/(surplus) rate ²	(0.13%)	(0.13%)	(0.13%)	(0.13%)	(0.13%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.56%	20.56%	24.95%	12.97%	17.77%
Retiree Healthcare					
Normal cost rate	0.07%	0.07%	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%	0.43%	0.43%
Net retiree healthcare rate	0.50%	0.50%	0.50%	0.43%	0.43%
Total net employer contribution rate	21.06%	21.06%	25.45%	13.40%	18.20%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2014 is 77%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum 2017-2019 Rate	14.58%	10.93%
Maximum 2017-2019 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 were calculated as a part of the December 31, 2013 valuation, and are expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide actuarial valuation report.

Yamhill Communications Agency

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled SLGRP T1/T2 UAL	\$1,431,710	\$759,253
Allocated pre-SLGRP pooled liability/(surplus)	(158,677)	(193,461)
Transition liability/(surplus)	(11,312)	(11,276)
Allocated pooled OPSRP UAL	101,366	70,804
Side account	0	0
Net unfunded pension actuarial accrued liability	1,363,087	625,320
Combined valuation payroll	886,672	1,001,379
Net pension UAL as a percentage of payroll	154%	62%
Pre-SLGRP pooled rate	(1.77%)	(1.81%)
Transition rate	(0.13%)	(0.11%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,048	\$13,860
Allocated pooled RHIPA UAL	\$0	\$0

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	\$454.0	\$398.2
Tier 1/Tier 2 valuation payroll	2,827.9	2,915.9
Normal cost rate	16.05%	13.66%
Actuarial accrued liability	\$37,169.9	\$31,738.8
Actuarial asset value	28,465.3	27,855.3
Unfunded actuarial accrued liability	8,704.6	3,883.5
Funded status	77%	88%
Combined valuation payroll	\$5,390.8	\$5,121.9
UAL as a percentage of payroll	161%	76%
UAL rate ¹	5.76%	4.50%
State and Community College Pre-SLGRP Pooled Liability	\$561.1	\$577.5
LGRP Pooled Liability	(237.2)	(242.7)
Total Transition Liability	(762.2)	(775.7)
Tier 1/Tier 2 Active Members		
▪ Count	39,812	42,668
▪ Average Age	52.4	51.9
▪ Average Service	18.6	17.8
▪ Average Valuation Payroll	\$71,032	\$68,339
Tier 1/Tier 2 Dormant Members		
▪ Count	20,596	20,897
▪ Average Age	54.8	54.1
▪ Average Monthly Benefit	\$1,347	\$1,298
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	77,031	75,014
▪ Average Age	70.5	70.2
▪ Average Monthly Benefit	\$2,049	\$1,992

¹ The December 31, 2014 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.15% at December 31, 2013). The City of Portland pays an additional 1.17% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.14% and 0.15% respectively at December 31, 2013).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	\$301.3	\$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	\$59.6	\$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	\$3,064.1	\$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIA		
Normal cost	\$3.5	\$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	\$468.4	\$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
RHIPA		
Normal cost	\$1.6	\$1.3
Tier 1 / Tier 2 valuation payroll	1,406.3	1,434.5
Normal cost rate	0.11%	0.09%
Actuarial accrued liability	\$70.5	\$61.2
Actuarial asset value	7.2	5.2
Unfunded actuarial accrued liability	63.3	55.9
Funded status	10%	9%
Combined valuation payroll	\$2,718.9	\$2,531.5
UAL as a percentage of payroll	2%	2%
UAL rate	0.39%	0.35%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2014			December 31, 2013		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	17.89%	\$323,815	\$57,931	15.39%	\$347,474	\$53,476
Tier 2 General Service	12.44%	219,828	27,347	10.57%	341,084	36,053
Total General Service		543,643	85,278		688,558	89,529
Tier 1 Police & Fire	21.53%	0	0	17.62%	0	0
Tier 2 Police & Fire	19.00%	0	0	15.63%	0	0
Total Police & Fire		0	0		0	0
Total		\$543,643	\$85,278		\$688,558	\$89,529
Employer normal cost rate						
General Service			15.69%			13.00%
Police & Fire			20.08%			16.51%
Aggregate (Default)			15.69%			13.00%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide actuarial valuation report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2013	(\$11,276)
2. January 1, 2014 through June 30, 2014	
A. Transition liability/(surplus) rate ¹	(0.09%)
B. Actual employer payroll	435,267
C. Payment to transition liability/(surplus)	(392)
3. July 1, 2014 through December 31, 2014	
A. Transition liability/(surplus) rate ¹	(0.09%)
B. Actual employer payroll	428,481
C. Payment to transition liability/(surplus)	(386)
4. Supplemental payment to transition liability	0
5. Interest	(814)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2014	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$11,312)

¹ Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2014	December 31, 2013
1. Total transition liability/(surplus)	(11,312)	(11,276)
2. Combined valuation payroll	886,672	1,001,379
3. Regular amortization factor	10.118	10.703
4. Total transition liability/(surplus) rate	(0.13%)	(0.11%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2013	N/A		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	886,672	1,001,379
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.50% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.50% compounded annually on members' regular account balances starting in 2015.</p> <p>7.50% compounded annually on members' variable account balances starting in 2015.</p>
<i>Consumer price inflation</i>	2.50% per year.
<i>Future general wage inflation</i>	3.50% per year.
<i>Healthcare cost inflation</i>	Ranging from 7.0% in 2015 to 4.4% in 2094.
<i>Administrative Expenses</i>	<p>\$5.5 million added to OPSRP normal cost.</p> <p>\$33.0 million added to Tier 1/Tier 2 normal cost.</p>

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

Administrative expenses for the Tier 1/Tier 2 System are assumed to be \$33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

- The Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

Actuarial Accrued Liability

The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value

The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method

Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Combined Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan

A single plan used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

Employer Contribution Rate

Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Normal Cost

The annual cost allocated to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Glossary

Pre-SLGRP Liability

The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability

The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar

A methodology that defines the maximum permissible period-to-period change in the base employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The accounting standard governing a state or local governmental employer’s accounting for pensions prior to GASB 68.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)

The accounting standard governing a state or local governmental employer’s accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)

The accounting standard governing a state or local governmental employer’s accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll

Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability

The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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